2020 Stock Market Crash Survival Guide

Description

Many people panic when the stock market starts to crash, most often because they weren't expecting it and feel that they haven't prepared their portfolio as well as they could have.

Feeling unprepared for a market crash can be nerve-racking and cause you to panic, which can lead to impulse decisions that will hurt your long-term investing goals.

Avoid that hassle with these five tips to help you survive the next market crash and use it to your long-term advantage.

Ensure your portfolio is as strong as possible

Ensuring that your portfolio is strong is always the first step, but something that needs to be done ahead of time, because by the time the market starts crashing, it will be too late.

This consists of ensuring all your investments are owned for the right reasons — because they have solid long-term prospects — in addition to monitoring their performance over time.

If you consistently ensure that your portfolio is invested in only the highest-quality businesses, then when markets do start to crash, it will be much easier to control your impulses and look to add new stocks at a discount rather than panic sell your best companies at the bottom of their trading range.

Have adequate income-generating stocks

In addition to being invested in quality long-term businesses, you should also make sure that a significant portion of your portfolio is invested in dividend-paying stocks, such **AltaGas Ltd**.

AltaGas is a great choice because it has a reliable business, pays a dividend that yields 4.5% and has numerous growth opportunities to expand its business down the road.

Investors can own the stock and be confident in its ability to pay the dividend, while holding the shares and waiting for more capital appreciation.

Owning dividend-paying stocks is always important, but even more so during a market crash or recession, as the stocks will hold up better than non-dividend payers and it's a great way to build up your cash position that you'll be using to invest in all the undervalued opportunities.

Keep a small cash position

Keeping a small cash position is always important, so that investors have the opportunity to add a new company to their portfolio or average down their cost of another investment, when share prices go on sale.

However, it's not easy to decide how much given that you don't want to hold too much and weigh on your portfolio, but if you don't have any you could miss some major opportunities.

This is why dividend paying stocks are so crucial; they help rebuild your cash position, allowing you to find more investments during troubled financial times.

Have pre-set target prices

It's important that you know ahead of time what stocks you are considering buying and at what price, and that also holds true for stocks you're considering selling for whatever reason.

By choosing a pre-set target price, you don't allow impulses to take over if a stock is getting cheap, thus ensuring you stay disciplined and only invest at the prices you pre-set based on the value you saw in the company.

Obviously, these will have to be adjusted anytime new company developments change the long-term value of the company, but they should be set in stone based on numbers and fundamental values.

Avoid acting on impulse

All these steps will help to avoid the number one enemy during market meltdowns: acting on impulse.

It's incredible how hard it can be *not* to sell stocks, and to sit back and watch the value of your investments temporarily decline.

However, when you're committed to long-term investing, just remember to look past the money you are losing and be grateful for the opportunity that's coming, shifting your though process to what stocks you're going to buy, and which ones have the most value.

If you stick to this strategy, you will not only survive market crashes, but you'll also use them to thrive and set yourself up for major long-term investing success.

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