Stock Market Crash: “Don’t Panic” Is Easier Said Than Done

Description

“Don’t panic.”

We’ve heard this quote time and time again, especially during previous stock market crashes. But most of us know from experience that heeding this advice is often easier said than done.

Massive selloff intensifies

As I write this, the S&P/TSX Composite Index is having a horrible day, losing 12.46%. This drops its year-to-date return to -26.79%. South of the border, things are just as dire, with the indices in bear market territory with losses of greater than 20% from their highs. Today, the Dow Jones Industrial Average sits at 21,449, down from its all-time high of 29,568 just a few short weeks ago.

History repeats itself

The truth is, we should expect these declines. History tells us that corrections like this happen, on average, once every 12 to 24 months. In fact, there were 11 market corrections and eight bear markets from 1980 through 2017, according to **Vanguard**.

Since it’s been over a year since the last correction, we were overdue for this downturn.

The good news is that in each and every previous instance, a bull market rally has eventually erased all of the decline. Looking back over the past 100 years, in almost nine times out of 10, stocks have made money in any given 10-year period. This precedence leads us to believe that stocks will return to the highs we saw just a few weeks ago.

What’s an investor to do?

If you are having trouble sleeping at night because you are worrying about your investments, take this time to rethink your investment strategy. While it's not a good time to sell everything and take cover, it may be a good time to consider next steps.

Think about identifying potential buying opportunities in stellar companies at depressed prices. Consider great dividend-paying companies that have long histories of dividend increases, which should keep the income coming, regardless of the decline in the stock price.

For example, telecommunications companies tend to be stable dividend payers. Top Canadian telecom company **Telus** is trading at $41.99 per share as of this writing. Telus has held up better than its peers over the past year. The company is down 11.47%, while **BCE** and **Rogers Communications** are down 12.48% and 27.3%, respectively, over the past year. Telus currently has a P/E ratio of 14.5.

The great thing about Telus is that it has achieved over 15 consecutive years of dividend growth. Note that this time frame includes the Great Recession from 2007 to 2009. Currently, Telus has a yield of 4.78%. The company is targeting an annual dividend increase of 7-10% over the next two years.

The bottom line

Remember why you're investing in the first place. The goal is to invest in high-quality companies and watch your investments make money over the long term. Don't let the daily or monthly gyrations in stock prices deter you from being a smart investor.

While your investments may be volatile in the short term, you'll be glad you stayed with them over the long haul.

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