Avoid This 1 Huge Mistake During a Market Crash

Description

"The market is crashing." And "the recession is already here." Or "is it going to be as bad as the Great Recession, or worse?" These are the common questions circulating in the market.

As an investor, you might be worried about these things, too. And it's understandable. Nobody likes seeing their life savings go up in smoke. If your investments were worth $50,000 just a few weeks ago, and now they are worth just $35,000, it's a legitimate reason to worry.

But worrying about the market crash should not lead you to the huge mistake of selling during the crash. You might ask yourself, "what if it tanks to zero? At least right now, I am getting a fraction of my total investments back." It is the kind of thinking that nudges people to make foolish mistakes during market recessions.

Unfortunately, investors with low capital (even with all their savings accounted for) are usually the ones that make that mistake. People with substantial investments, large portfolios, or backup reserves tend to behave very differently during a market crash.

During a market crash, neither your stake in the company nor the intrinsic value of your investment goes down. You are in loss *only* if you pull your money out at that time. If you wait and let the market correct itself to smoothness, your savings will be in the clear. A stable and robust business is just as profitable after a market crash as it was before it.

And if you have invested in a company like this, market crashes and corrections shouldn't panic you into selling at the worst possible time.

A stable company

Fortis (TSX:FTS)(NYSE:FTS) is a prime example of a stable company. It's the second-oldest Dividend Aristocrat on the TSX, after **Canadian Utilities**, and on its way to become a dividend king (by American standards) in about four years. The company has been increasing its dividends for 46 consecutive years. And the increases are substantial enough. Since 2016, the company has grown its payouts by 27%.

The current yield of Fortis might not look very flattering at 3.22%, but it's enough to build your wealth over time. And, to put your mind at ease, Fortis has seen several market corrections, crashes, and fluctuations during its years of operations. And through all that, the company held investor confidence as one of its primary goals and kept increasing dividends, even through the turbulent years.

Plus, Fortis is in the evergreen business of energy — gas and electricity: two things that everyone needs all the time, whether it's a recession, market crash, or mild correction. So, the company's cash flows, and, consequently, your payouts as an investor, are likely to stay safe.

And that's not even the best part. The company is a steady grower. The stock price has grown over many times of what it was at the beginning of the century. The 10-year CAGR is also amazing at 10.88%.

Foolish takeaway

If you have a stake in a few companies like Fortis, you can ride the market waves just by sitting tight and doing nothing. Panicking over the market crash and selling low after buying high will not only incur you a net loss, it will also set back your compounding efforts. And all the time your shares spent growing will be all for nothing. The best thing to do during a market crash is also the simplest one: nothing.

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