Yes, the Market Will Crash Again: Here Are 3 Ways You Can Prepare

Description

The Toronto Stock Exchange (TSX) had a modest rally in May with crude oil prices posting its best-ever month since the slump. However, the ground remains treacherous entering June and perhaps until the third quarter of 2020.

Canada's main stock market index improved by 2.78% from April, but it's still losing by almost 11% year to date. The COVID-19 threat is not yet off the table, and intensifying geopolitical risks can put a stop to the market rally. Another market crash is possible, although you can't predict when it will happen.

Don't let panic rule if you fear a market crash. Instead, get ready now to mitigate the risks and protect your money. I can suggest three ways to prepare that will place you in a better position when the crash comes.

Seek the safety of cash

If you're not sure whether your stock investments can endure a massive market crash, get your money out. Holding or moving to cash will relieve you of mental stress. You also avoid short-term volatility. Even billionaire NBA mogul Mark Cuban will hold on to his cash rather than invest.

You will realize actual losses if you cash out and sell low. The drawback of hoarding cash is that your money will not grow in value, and inflation will bring down your purchasing power. The next best thing to do is re-balance your portfolio.

Re-balance your portfolio

When re-balancing your portfolio in preparation for a market crash, investment protection takes precedence over wealth earning. Look for companies whose businesses can endure the present and post-pandemic environment. Avoid sectors that are suffering a great deal from the crisis and for which recovery is uncertain.

Stick to crisis-resistant assets

I would say the telecom sector is one of the sectors with long-term potential, despite the COVID-19 outbreak. **BCE** (TSX:BCE)(NYSE:BCE) is a logical choice. You're looking at an industry giant with the significant financial flexibility to weather a market storm. This $51.75 billion telecommunications and media company is crisis resistant.

Investors owning BCE shares today are not likely to ditch this telco stock. The internet and related services are vital needs in the present and for generations to come. Besides, BCE is operating in a near-monopoly in Canada. During the first quarter of 2020, year-over-year subscriber revenue even grew by 5.5%.

Never mind if this prominent telco stock is losing by 3.27% year to date. BCE is assuring income investors that it will not put the dividend in jeopardy. The company will continue to generate substantial free cash flow to fund and support network investments as well as make dividend payouts for 2020.

As of this writing, BCE is trading at $57.23 per share and offering a generous 5.83% dividend. The Dividend Aristocrat, however, expects a higher-than-normal dividend-payout ratio this year. You have investment protection in the primary builder of Canada's communications infrastructure.

Date unknown

The date of the next market crash is unknown. But you can prepare and stay ahead by opting to cash in or look for investment protection. What is important is that you don't get shell-shocked when the crash suddenly happens.

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