



## 5 Tips to Prepare for a Stock Market Crash 2.0

### Description

The stock market crash in March was an incredible opportunity to buy the dip in wonderful companies. The stock market has since recovered, but the macro environment isn't that healthy. The pandemic is affecting many industries and businesses. What will happen when government subsidies or benefits roll off?

As a result of earnings depressed by pandemic impacts, many stocks are trading at high valuations.

So, it's not out of the question that we'll experience another stock market crash.

Here are five [tips to prepare for a stock market crash](#).

### Keep cash handy

To ensure you have the dry powder to take advantage of the next stock market crash, hold a higher percentage of cash or cash equivalents. For example, consider putting some of your cash in short-term GICs to earn bigger interest income than savings accounts.

### Maintain multiple income sources

Generating excess income will allow you to have cash to invest any time and in a market crash. For example, some investors work but also generate income from dividend stocks, rental properties, side gigs, or other income-generating assets.

By having multiple income sources, you can ensure cash will keep flowing in to replenish your cash position.

### Hold some low-volatility stocks

Low-volatility stocks tend to be more resilient and outperform in a market crash. Some even pay you to

be a shareholder by churning out safe, periodic dividends, including **Fortis** stock, which is a perfect source of income generation. Currently, Fortis stock is reasonably valued and provides a yield of 3.65%.

Other low volatility stocks that pay nice dividends that you can consider right now are **TC Energy** for a 5.41% yield and **NorthWest Healthcare Properties REIT** for a 6.87% yield.

## Own quality stocks

Quality stocks are driven by wonderful businesses. By aiming to own a portfolio of quality stocks with underlying wonderful businesses, you can ride through market crashes for long-term investments.

Stocks are volatile by nature. In the short term, they can go up or down unpredictably. By focusing on buying and owning wonderful businesses, you can ensure that your stock portfolio value will rise in the long run.

Most investors would agree that the stocks of Fortis, **TD**, and **Open Text** are driven by wonderful businesses.

## Understand market behaviour

As [Warren Buffett](#) said, “Be fearful when others are greedy and greedy when others are fearful.” During a market crash, even quality stocks with underlying wonderful businesses can fall hard, as the market overshoots irrationally in the short run — just like what happened in the March market crash.

When others are fearful, it would be the time to pounce on incredible opportunities. Quality stocks will recover faster than others.

## The Foolish takeaway

To prepare for market crash 2.0, have cash ready, keep generating income, hold low-volatility and quality stocks, and prepare your mind to not be swayed by the short-term gyrations of a market crash.

Also, make a list of the wonderful businesses you want to own and the price ranges that you find them to be attractive at *before* a market crash so that you can pounce on the opportunities with no emotion when the crash actually occurs.

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