Terrified of a Market Crash? Don't Panic — Do These 3 Things

Description

The stock market is not without risks, so it's common to see equity prices move up, down or sideways. However, it's different when analysts and investment experts warn of a market crash. Investors, including high-net-worth individuals and sophisticated investors, tremble at the news.

Predictions of a severe market downturn can cause panic. It also stirs memories of previous crashes such as the dot.com bubble and the 2008 financial crisis. Now, an invisible enemy is threatening to activate another market selloff in 2020 that could be nastier than the first episode. The advice is not to panic because there are things you can do to fight fear and counter the inevitable.

1. Do nothing

The loss aversion phenomenon takes precedence when the market is about to tank. If you don't have an urgent need for money, stick to your investment plan. People's natural tendency is to sell and cut losses. But a crash shouldn't get in the way of your financial goals. Historically, stocks are great long-term investments.

2. Don't follow the news

Tune out from the noise as much as possible so that it won't affect your sanity. If you track the troubling information every time, you're prone to make emotional decisions. Keep in perspective your past gains from investments rather than continually checking the percentage dips.

3. Rebalance if required

The last recourse is to rebalance your portfolio if required. If you're not comfortable with your holdings enduring a crash, shift to less risky assets. You can also diversify and spread your investments across different sectors. It's a savvy way to balance out the risks.

One caveat in a market crash is that there will be buying opportunities. You can purchase stocks you'd been eyeing before at discounted or bargain prices. Similarly, you can increase your holdings in your current dividend stocks for bigger payouts.

Staying power

Capital protection is the primary objective of every investor. The key to successful long-term investing is to pick companies with staying power. It means the asset can deliver a steady income stream regardless of the market environment. Firms that generate revenues from rate-regulated utility assets are defensive investments for risk-averse investors.

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a top-notch choice. Aside from its relatively cheap price ($18.61), the dividend is a lucrative 4.36%. Your $50,000 holdings will generate $2,180 in passive income. Over the last five years, the total return is 148.04%. The year-to-date gain is 3.85%, which indicates resiliency amid the pandemic.

The key takeaways are the long-term contracts in Algonquin's renewable energy utility assets. It's a low-risk business that offers an instant hedge against inflation. Furthermore, you add stability to your portfolio. The utility stock has raised dividends, without fail, for ten consecutive years. Your cash flow will get a boost annually.

Stock markets recover from a crash

Your hand-picked dividend stocks should calm your fear of a stock market crash. Substantial capital appreciation usually follows when the market recovers. The more shares you own, the larger your returns are during the rebound. You also gain the advantage of a defensive play and growing utility company like Algonquin Power. Panic is *not* the solution.

CATEGORY

1. Dividend Stocks
2. Investing

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