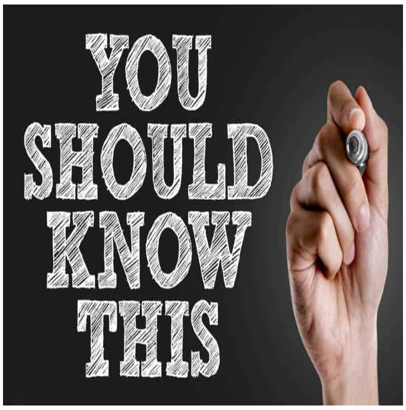

2 Ways to De-Risk Your Investments for a Market Crash

Description

Investment experts and strategists suggest de-risking investment portfolios if you're anticipating a market crash. This approach should help you hang on and ride out the storm. You're also preserving and protecting your hard-earned money at the same time.

The de-risking process aims to counter market volatility while creating hedges against it. Move to safer asset classes like bonds and gold. Bonds provide fixed income regardless of the market environment. On the other hand, the precious metal is the best hedge against inflation and deflation.

Rationale for bonds

Forward-looking investors turn to bonds if the future economic outlook is bleak. Bond prices generally rise in a bear market and usually perk up when interest rates are falling. The theory of supply and demand is at work because of the relationship between bond prices and bond yields.

Bonds are low-risk options, especially if you're saving for retirement. You'll get your full investment back when you're closer to the retirement exit. The bonds issued by the Government of Canada are known to be safe and liquid vehicles to invest savings.

Rich in value

Deflation is looming with the slowdown in business activities and excessive debt burdening the economy. The purchasing power of gold is likely to rise sharply in deflationary periods.

In high inflation years, gold is also the safety net. The price tends to soar when the cost of living increases and the stock market is plunging. Also, when a fiat currency weakens, gold is priced in those currency units. If the Canadian dollar is losing value, gold offers a good store of value.

Finally, investment strategists view gold as an excellent portfolio diversifier. The price increases in response to events that trigger the value of investments, such as stocks and bonds, to decline. While prices can be volatile in the short-term, gold will always maintain its worth over the long term.

Outperforming Buffett's choice

Owning paper gold or gold stocks are alternatives to purchasing physical gold. Warren Buffett recently invested in **Barrick Gold** because he was seeking a haven. However, another Canadian gold miner is handily outperforming Buffett's choice. If you want exposure to gold, consider **Aura Minerals** (TSX:ORA).

Barrick Gold investors are winning by 55.5%, although Aura Minerals' investors are ecstatic with the gold stock's 821.51% year-to-date gain. Had you invested $10,000 on December 31, 2019, your money would be worth $92,151.16 today. Over the last three years, the total return is 1,208.84%.

This $1.12 billion multi-national mining company produces gold and copper as well as operates other metal projects. Aura's producing assets are in Brazil, Colombia, Honduras, Mexico, and the newly-acquired Gold Road gold mine in Arizona, U.S.A. The pandemic hampered operations, although Aura plans to increase production capacity by 30% later this year.

With Aura Minerals, your investment ties to the precious metal. The performance somehow mimics the price movements of gold, not necessarily the stock market. If the stock market crashes, you have a safety net.

Simple approach

The de-risking strategy is a simple approach to rebalance a portfolio that's standing on shaky ground. You're not courting too much risk with bonds and gold. Both should endure a market crash and keep losses at a minimum.

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