



Prepare for a Market Crash Now With These 3 Steps

Description

It wouldn't take much for 2021 to be an improvement on 2020. In fact, pretty much anything would be an improvement at this point. But Canadians should still be wary and prepared — especially when it comes to their finances. Another market crash is highly likely and could be here before the end of March.

Why March? In September of last year, the world got back to work. That meant COVID-19 start sweeping across the world yet again. Records were set, and even with a vaccine on the way, the spread increased dramatically. Over Christmas, it reached a peak. This sent almost everywhere into lockdown, including Canada.

That lockdown means businesses will struggle yet again, especially if those businesses aren't an essential service. So, we are likely to see a return to the poor earnings reports that led to the first market crash. Those earnings report for both the poor quarter and even worse year should come out in March.

Is it all lost? Or can you prepare? Of course you can! Just follow these three simple steps.

1. Put aside what you can

If you don't already, you should seriously go over your pay and decide what you can afford to put aside. It doesn't have to be much — just what you can afford. If that's thousands of dollars, amazing! If that's \$10, that works too! It all adds up, especially over the long run. And that can be your saving grace [during a market crash](#).

So, instead of buying that lunch every day, or that cup of coffee, invest in yourself. A great place to start is taking 10% of your pay and putting it aside to invest. The best place to do that would be a Tax-Free Savings Account (TFSA). That way, you can take out the cash at any point you need it should things get hairy again, and it's all tax free.

2. Make it automatic

Once you have the calculation of what you can afford, make automatic payments into your TFSA. This is great for two reasons. First, you don't have to worry about remembering to invest. Second, you don't have to worry about spending that money! It's set aside, each month or whenever you decide to contribute. Then you can simply invest in your watch list whenever you feel the price is right.

And, as I say, it adds up. Let's say you do 10% of a \$50,000 salary. It doesn't take a mathematician to figure out that's \$5,000 set aside by the end of the year. That's almost your entire additional contribution room for your TFSA for 2021!

3. Pick a solid dividend stock

Now to really prepare you for a market crash, you want a solid stock that will come out the other end strong. A market crash can be a great opportunity to buy up such a stock. You can then see huge gains in a short period of time! I would also recommend finding a stock that provides stable dividends. That way, you'll get returns, even if your shares aren't doing that well!

A great option are banks stocks. Canadian banks have bounced back to pre-crash levels and will likely do so even quicker during the next market crash. The Big Six banks have grown for decades, paying dividends without missing a beat. If you want high [dividends](#), then go with **Canadian Imperial Bank of Commerce**. It offers the highest dividend yield of the Big Six banks at 5.17% as of writing, and shares have come back 78% since the March crash.

Foolish takeaway

Let's say you were to have that \$5,000 available during the market crash and shares fell back to March prices. That would mean you would make \$432 in dividends alone! Then your 78% increase would be worth \$8,362 when bouncing back to today's levels! Start putting money aside and look for that opportunity. While you should wait for the market bottom, you can be sure that bank stocks like CIBC will keep growing for [decades](#) to come.

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Author

alegatewolfe

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