Market Crash 2021: 3 Ways to Keep Your Money Safe

Description

Last year ended without the rerun of the March crash. But the warning signs that were indicating the arrival of a second crash haven't gone away. The stock market is still overpriced, and the stimulus money still has the economy propped up on temporary legs. One push, and the market might tumble into another crash.

There is a silver lining. With the memories and lessons of the 2020 crash still fresh in our minds, investors can be better prepared for what might be coming. There might not be a way to completely crash-proof your portfolio, but there are several ways you can keep your money safe, because these are two different things, and it's a distinction many investors fail to make.

Get rid of risky recovery stocks

If you took advantage of the last crash, the chances are that you bought some great recovery stocks that grew substantially in a short amount of time. Many of those stocks would be worth keeping for a long time, because they are consistent growers. But a lot of stocks might just have been propelled by the optimism around the market recovery. Keeping them in your portfolio might not be a good idea.

If you think a crash is coming, you can sell them at a significant profit before the crash and repurchase them when they are on a discount.

Improve your liquidity position

It's linked to the method stated above. However, even if your portfolio doesn't have any unsafe growth stock that you might consider dropping, you might still want to consider improving your liquidity position. If you believe that a crash is coming, consider sell poorly performing growth stocks or dividend stocks that slashed their payouts. You may be able to use the liquidity to buy both decent growth stocks at a discount and dividend stocks (where you can lock in a high yield during the crash).

Buy safe stocks

Buying safe stocks is one of the most tried and trusted ways of keeping your money safe during a market crash. And remember, a safe stock isn't necessarily the one that doesn't lose its valuation during the crash. It's the one that you are sure will recover after. One safe stock you may want to consider is **Intact Financial** (TSX:IFC). Right now, it's the fourth-largest insurance company in the country by market cap.

The company specializes in property and causality insurance. The company has been scaling up through acquisitions and has consolidated a sizeable portion of the market. Currently, it has eight major brands working under its banner.

During the crash in March, the market value dropped by over 31% but recovered its start-of-the-year valuation by November. It has also grown its dividends for 15 years. Its 2.3% yield is decent enough, but a more enticing number is its 14.5% 10-year CAGR.

Foolish takeaway

There is one thing that investors need to keep in mind about the speculations surrounding the 2021 market crash, and it's that it might not be very similar to the previous one. Instead of a sharp fall and rapid recovery, the investors might suffer through a protracted crash and a slow recovery. And if that's the case, then you will have to revise your "safe-portfolio" strategy accordingly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
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