Move to Cash Now and You'll Immediately Regret It

Description

The stock market continues to trade at all-time highs. It has many worried about a market crash and wondering whether to move their investments to cash.

Here's why you shouldn't

If you need your cash in the next little while, you might want to move some of your stakes to cash. But moving your investments to cash out of fear of a market crash is a bad idea. While certain sectors have high valuations, there are other sectors that are simply undervalued or at least reasonably valued.

There are some economists predicting an economic downturn that could last years. The next market crash, if it happens, could be the first of many. This is due to the increase in global debt from both before and after the pandemic. But again, moving to cash would be a bad choice. Inflation alone would eat up your cash.

Given the nature of investing, it's best to buy for the long term. This is what we always recommend at the Motley Fool. So instead of moving to cash ahead of a market crash, it might be a far better strategy to see what stocks are undervalued and move some of your stake to those stocks.

Real estate

Real Estate Investment Trusts (REITs) continue to trade below fair value thanks to the pandemic. While there are quite a few REITs out there that could continue to suffer for years, there are those that have moved to a more lucrative method of collecting rent.

One example would be **RioCan REIT** (TSX:REI.UN). The company owns a both residential and income properties mainly in urban Canadian cities. These income properties include stores that now have apartment residences built on top. That means you get much more rent from one single property. This strategy alone is a great reason to invest in the company.

The company continues to have a strong gross margin of 59%, and that is what long-term investors should be looking at rather than digging into individual earnings reports. Its price to book ratio is at an incredibly low 0.7x, and its dividend yield is at a soaring 8.35%. So investors would be wise to pick up this long-term buy.

ETFs

If you really want to be safe, then pick up an exchange-traded fund (ETF) that has a lot of international exposure. These ETFs will continue to do well given the range of diverse investments and markets. The Asian market, for example, has already started to rebound quite well as COVID-19 seems to be somewhat in the rearview. It will take other markets some time to catch up.

In fact, if you have a portfolio with a lot of Canadian investments, you might want to consider a stock like **Vanguard FTSE Global All Cap ex Canada Index** (TSX:VXC), which excludes Canadian stocks all together! Half of the ETF is made up of companies from the United States, but it also provides exposure to large foreign markets such as Japan, the United Kingdom, and China. This is more of a fairly valued stock, and will likely continue to give you solid returns as the market rebounds. As of writing shares are up 18% since a year ago.

Foolish takeaway

Moving to cash would be a mistake in this market. If you're unsure, you can't go wrong with undervalued or even simply fairly valued stocks. Real estate provides a great option to pick up undervalued stocks. Foreign markets will help you rebound even if there is a market crash. So prepare now and pick up these great options rather than selling it all!

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:VXC (Vanguard FTSE Global All Cap ex Canada Index ETF)

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