New Investors: 3 Tips for Surviving A Bearish Market

Description

It looks like after two years of pretty great growth, investors may have to start preparing for a period of bearishness. Why? Inflation of course. After years of stable pricing and low interest rates, I'm sure you've noticed inflation continues to skyrocket. Canada and the United States are set to raise rates in March, and perhaps more this year. And that means you don't have all that much cash set aside for investments and purchases.

When it comes to your investments then, how does one survive through this period? Let's look at three ways investors can saddle up and ride through this turbulent time.

1. Take your returns, but remain long term

Now overall, it's best to keep a long-term growth strategy. But during the last year or two, you wouldn't be blamed for taking on more exciting, and therefore riskier, investments. And some of those investments have already dropped in half.

So if you bought up shares in stocks related to cryptocurrency, tech or others you're worried you may lose returns on, it might be a good time to take those returns. You can always get back in, and if shares continue to drop you could get in at a lower price!

2. Look for dividends

Next up, seek out companies that offer strong, solid dividends. These are some of the best ways to fight back on inflation. Dividends come out on a regular basis, and if you choose blue-chip companies that are Dividend Aristocrats you won't have to worry about suddenly losing those guaranteed payments.

In a lot of cases, the yields on these companies beat inflation. So even if your shares of a company don't perform so well, you'll still be able to look to dividend payments to make sure your savings are still increasing. And one more thing. Don't just look at stocks. There are dividend exchange-traded funds as well that you can pick up, which is like having an entire dividend portfolio at your fingertips!

3. Don't stop contributing!

One thing that many investors may consider is stopping their contributions. Specifically, their Registered Retirement Savings Plan (RRSP) contributions. This is a *horrible* mistake if you're worried about inflation. At the end of each tax year, your RRSP contributions bring down your total income for the year. So if you earned $50,000 and contributed $10,000, your income now becomes $40,000 for the year.

The benefit to this? You may just be in a new tax bracket. This can literally save you thousands of dollars, therefore making up for those RRSP payments. Never mind that it continues to be put aside for your retirement one day. *And* of course, continues to make returns in the meantime. You really can't lose!

Foolish takeaway

It can be a difficult time during a bearish market, and many investors tend to panic. The best advice anyone can give you is to talk to a financial advisor. Look at your income, see what you need to spend, and perhaps juggle your investments to meet those long-term goals. That may mean finding dividends instead of growth stocks, but isn't likely to mean stopping RRSP contributions. Talk to your financial advisor today.

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alegatewolfe