



How to Recession Proof Your Assets

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The National Bureau of Economic Research confirmed that the United States [has been in a recession since December 2007](#).

But anyone who owns stocks, or has peeked at their 401(k) statements suspected that already.

What can you do with your investments in such challenging times?

MainStreet spoke with Wade Slome, President of [Sidoxia Capital Management](#) and author of How I Managed \$20,000,000,000 by 32, about ways to recession proof your assets.

Here are some of his thoughts in his own words:

Diversification: The first place to start is "Investing 101" and that's diversification. When it [comes to diversification](#) you want your money in treasuries, money markets, municipal bonds, etc. For riskier investments, you should diversify based on small cap, large cap, international, and emerging markets.

Asset Allocation: One size doesn't fit all. If you're an 80 year-old, you don't necessarily have to take on as much risk. If you're an aggressive investor your mid-30s you can take on more risk. On the other hand, that same 80 year-old could invest for her grandchildren, and may have accumulated enough wealth for herself to invest [in riskier funds] for her family.

Avoid Fees: When returns are going up, investors generally ignore fees. A silver lining created from the downturn is that investors are sifting through the rubble and questioning the high fees they are paying. Whether it is high commissions, load fees, high management fees, surrender charges, administrative fees, 12b1 fees, among others, your typical "Joe" stock broker is having to answer tougher questions. [So ask them!] Avoid spending more than 2% in fees.

Dollar Cost Averaging: As asset prices decline, you can purchase more of that asset with a similar amount of money. For example, if I have \$100 and I need to buy a suit, if the suit goes on sale for half price, I can now buy a pair of shoes and a belt and shoes. I can buy more goods at a lower price. As the financial crisis has hit the market lows by about 50%, I can get double the amount of shares that I could have at the peak a year ago.

Market Forces Recession Proofing Assets: The almighty economic laws of supply and demand have injected self-correcting protection to investors' portfolios. With dozens of recessions in our back pockets to

review, the risk levels during these recessions have actually come down dramatically. Although counterintuitive, these periods historically have been the absolute best times to increase equity allocations (modified for investors' risk tolerance and time horizons).

The Commodity Bubble has Burst: Every penny of gasoline price decline is \$1 billion in stimulus to the economy. A decline from \$4.50 a gallon to less than \$2 a gallon translates roughly into a \$250 billion stimulus. The prices of wheat and corn have come down to earth and this will lead to lower prices at the grocery store. In a recession, these self-correcting forces are positive trends for future asset growth potential.