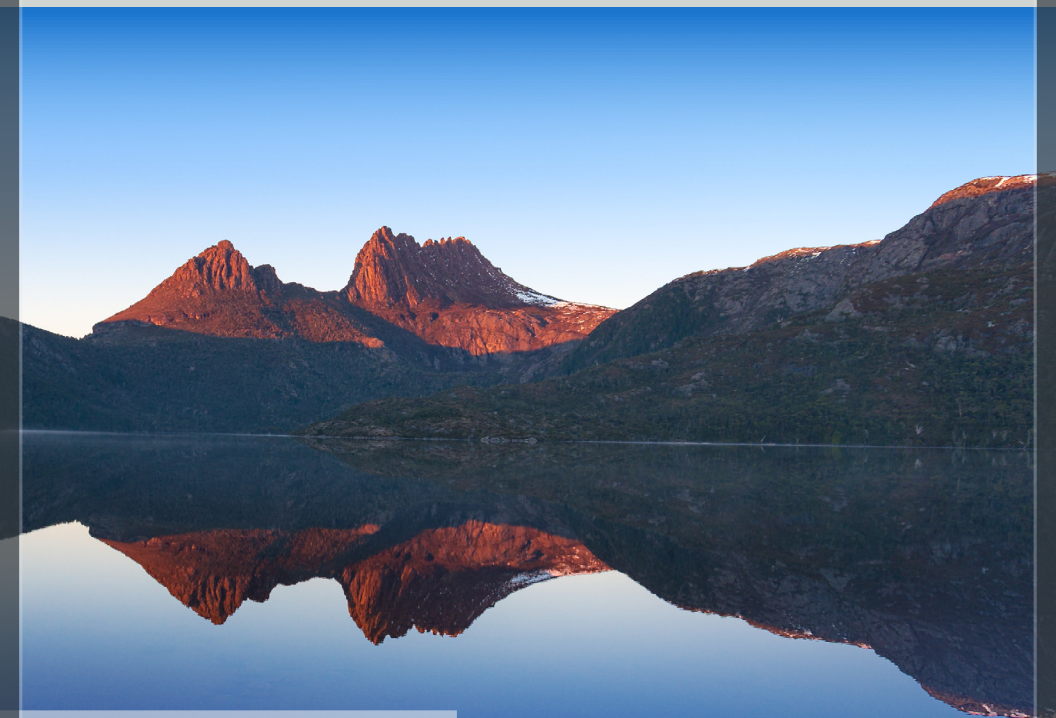
HOW AND WHY TO HEDGE

WHEN THE MARKET IS IN FREEFALL



Shah Gilani's
TOTAL WEALTH

How and Why to Hedge When the Market Is in Freefall

Dear Reader,

Most, if not all, investors are worried about the markets right now. Given the circumstances, that's understandable.

The problem is many investors think about their money in terms of all or nothing… as in they're either "all in" or "all out" of the markets.

The problem with that is they give up the possibility of a rebound if they head to the sidelines. Doing so may make them feel good, but there's a very real cost associated with doing so because people who run for the hills forgo dividends and upside.

People tell me all the time that "they'll get back in," but very few actually do. That was the case in 2009 and again last year, and you wouldn't believe how many investors now tell me they regret missing out on the greatest rally in recorded history… and still haven't gotten back in!!

I built the Money Map Method with this in mind. The strategy is built on success and risk management ***all the time***, not just when it's convenient… or necessary, as we're seeing now as the world stares down a global pandemic.

Buying may be the farthest thing from your mind right now, but it could be the best thing to do…

Two Easy, Powerful Moves to Protect Your Money

I'm particularly focused on buying into inverse funds. These specialized funds appreciate when everything else heads for the basement.

Now, you don't want to throw half of your capital into these funds or bet the farm. Really, you only need 1% to 3% in these funds to be effective. Even a small stake could really help to take the sting out of the massive sell-off we're experiencing.

These are funds that will lose money in a melt-up… but that's totally okay. We aren't trying to make a fortune off these picks… simply because profiting off an inverse means all of your other holdings have taken a nosedive. These are simply players that will give you stability in times of economic turmoil.

My favorite is the **Rydex Inverse S&P 500 Strategy Fund Investor Class** (Nasdaq:RYURX), an inverse fund I've watched for years. It's unleveraged and should move 1:1 with the S&P 500. The minimum is $2,500, and there's an expense ratio of 1.540%.

Since February 2020, the fund has risen 37.81%.

If exchange-traded funds (ETFs) are more your style, consider a choice like the **ProShares Short S&P 500** (NYSEArca:SH), which accomplishes the same thing as RYURX.

Since February 2020, the ETF has risen 40.97%.

Ideally, you want to choose an inverse fund that matches up to your personal portfolio – meaning you could choose **ProShares Short Dow 30** (NYSEArca:DOG) or the **ProShares Short QQQ** (NYSEArca:PSQ) if you're keen to hedge against specific

stocks in the Dow Jones Industrial Index or in the tech-laden Nasdaq, for instance, rather than those in the S&P 500.

At the end of the day, it doesn't matter how you hedge your primary portfolio… as long as you DO hedge it. That's what really counts.

Again, I want to be perfectly clear: Hedging isn't meant for betting the farm or putting all of your eggs in one basket. Studies show that between 3% and 5% of total investable assets is fine for most investors – I'd even be comfortable putting 1% to 3% on the table. Check with your financial advisor to be sure that whatever you do matches with your specific risk tolerance and investment objective, though.

At the end of the day, panic is a natural part of the markets and can be uncomfortable. But that doesn't mean it has to be unprofitable.

Sincerely,

Shah Gilani

Chief Investment Strategist, *Money Morning*

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