These are the 6 best steps that investors can take to protect their portfolios during this stock market selloff, according to the president of a wealth management firm — and 6 unloved dividend-paying stocks to consider

Clark Kendall, the CEO of a financial advisory firm in Maryland, isn't worried as stocks fall. Investors should keep calm and implement these six investing and personal finance strategies. Here are six solid stocks that are attractive because of their dividend yields.

Instead of trying to predict what's next for stocks or the economy, Clark Kendall and his colleagues spend their time growing and preserving their clients' hard-earned money.

The president and CEO of Maryland-based financial advisory firm Kendall Capital told Insider that his company serves "middle-class millionaires" — or those with at least $500,000 in investable cash — and manages about a half-billion dollars, of which half is in retirement accounts.

Some of those assets have inevitably suffered this year. US stocks are down over 23% year-to-date, while bonds are having one of their worst years in decades. But in Kendall's opinion there are still attractive investments out there for patient investors who don't panic-sell.

"A lot of people just hide during the thunderstorm," Kendall said in a recent interview. "In today's market, I think it creates opportunities."

Kendall added: "I tell people that this is basically a normal pullback in the market. A 20% decline in the market happens about once every six years over the last hundred years."

What's happening in the economy shouldn't be overly concerning either, Kendall said. A drop in GDP in the first quarter is evidence that a normalization from cushy pandemic-era policies is underway, he said, adding that he thinks the economy will probably contract again, which would meet economists' traditional definition of a recession .

But the silver lining is that there's no "structural problem" in the US economy, Kendall said. The consensus among Wall Street analysts is that corporate revenue and earnings will rise this year, the wealth management firm head said, so any downturn would probably be short-lived.

"Basically the economy is correcting what we did to keep people safe during COVID," Kendall said. "I think it's just basically a reset."

6 smart investing moves to make

To help investors keep their portfolios afloat — and to keep their sanity — Kendall sent a note to Insider that detailed six steps that people should take to better manage their money. These tips ranged from common-sense to clever, but all are worth keeping in mind during the market meltdown.

1. Save as much money as you can for emergencies
This tip may be easy to understand and remember, but for most Americans, it's difficult to follow. In fact, a January survey found that only 44% of Americans could cover an unexpected $1,000 expense.

Though stocks are one of the best ways to build long-term wealth, Kendall said that investors shouldn't be fully invested in markets.

"Long term, stocks will act as a hedge against inflation, but short term, it's very volatile, unpredictable," Kendall said. "For your son or daughter's college tuition that's due in August, that money should not be in the stock market. If we're paying nursing home bills, that money should not be in the market."

Kendall continued: "We always like to have at least two to three years of cash needs in safe, secure investments — not in the market."

2. Use dollar-cost averaging
Dollar-cost averaging, or the act of consistently putting a certain amount of money into an investment over a set period of time, helps reduce that investment's volatility over time, Kendall noted. An example of this would be investing $100 into a stock every week for 10 weeks instead of putting $1,000 into it all at once. Of course, it's vital to dollar-cost average into the right stocks.

3. Use short-term investments to diversify
Diversification is a time-tested tenet of investing, but there's more to the practice than buying stocks across sectors and factors like growth and value, or large cap and small cap. Salem Abraham, a veteran fund manager who's outperformed 96% of peers this year, put it best in a May interview with Insider.

"What makes me laugh is when people have this diversified bucket of stocks, and they think that's diversified," Abraham told Insider. "If you told me to make a fruit salad, and I brought a fruit salad to your house with 20 types of apples, you would say 'Salem, this is an apple salad. This is not a fruit salad.'"

Investors can diversify across asset classes with short-term investments like certificates of deposit (CDs), money market accounts , and high-yield savings accounts , Kendall wrote. He added that it's also smart to stick with stocks in one's retirement account.

4. Protect purchasing power by avoiding subpar yields
Bonds have sold off dramatically this year, but investors shouldn't be bottom-fishing indiscriminately. For example, Kendall noted that the 10-year US Treasury's yield has risen dramatically this year but is still well below the rate of inflation, which means that owners of that bond are guaranteed to see their purchasing power decline over time.

"Don't use below-expected inflation rates 10-year treasury bonds for long-term protection of purchasing power," Kendall wrote.

5. Use tax-loss harvesting during the downturn
There's at least one silver lining to the stock market washout this year: Investors can take what Kendall called "government subsidies" by selling their investments at a loss and using a strategy called tax-loss harvesting.

"If you sell an investment that's underperforming and losing money, you can then use that loss to reduce your taxable capital gains," Kendall wrote.

Kendall gave an example of how the strategy works: If an investor had a position in a stock that was worth $100,000 at the start of the year but then fell to $75,000, they could realize those losses by selling at a 25% loss of $25,000 before investing in a similar stock in the same industry. If that rival stock rebounds, the investor could sell it and realize those gains while saving money on capital gains taxes because of the offset of the other stock's losses.

Note that this strategy must be performed outside of a retirement account and can be used up to $3,000 per year against ordinary income, Kendall said. Losses beyond that year can be carried forward, he noted.

6. Roll over a pre-taxed Roth IRA when stocks are down
Unfortunately, investors can't escape taxes on their individual retirement account (IRA). In a traditional IRA, investors' money grows uninhibited but then is taxed when it's withdrawn, whereas in a pre-taxed Roth IRA, investors take the tax hit upfront so that their money will be untouched when they're ready to retire.

But one advanced strategy that investors can implement to minimize their tax bill is using the stock market's decline to their advantage by rolling over their assets from a post-taxed traditional IRA to a pre-taxed Roth IRA. This conversion forces investors to pay taxes, but they'll end up with a smaller bill to the government if they've lost money in the market during the course of the year, Kendall noted.

"You'll pay taxes now, at a lower rate, and withdraw funds tax-free in retirement when you're in a higher tax bracket ," Kendall wrote. "Rolling over to a pre-taxed Roth IRA will cost 20% less if your retirement account is down 20%."

This is also a timely strategy, in Kendall's view. "From a historical perspective, we're in a very low tax bracket, even for the most wealthy among us," Kendall said.

6 'dogs of the Dow' to consider

Though Kendall isn't a portfolio manager with specific stock recommendations or sector preferences, he did express an affinity for six equities that he called the "dogs of the Dow," not to be confused for the actual Dogs of the Dow.

The Dow Jones Industrial Average is made up of 30 blue-chip American companies, but some names have lagged behind the pack in recent years. Their fair valuations and relatively high dividend yields make them stand out in this market, in Kendall's view.

"These are all good, viable companies that as we have inflation, revenues will grow, earnings will grow, your dividends will continue to grow," Kendall said. "This is a way for us to protect that purchasing power."

Below are the six stocks that Kendall believes fit that description, along with the ticker, market capitalization, price-to-earnings (P/E) ratio, and dividend yield for each.

1. IBM

Ticker: IBM
Market cap: $119.8B
P/E ratio: 21.9x
Dividend yield: 4.95%

2. Intel

Ticker: INTC
Market cap: $150.1B
P/E ratio: 6.1x
Dividend yield: 3.98%

3. Cisco

Ticker: CSCO
Market cap: $180B
P/E ratio: 15.3x
Dividend yield: 3.50%

4. Coca-Cola

Ticker: KO
Market cap: $258B
P/E ratio: 25.1x
Dividend yield: 2.96%

5. JPMorgan Chase

Ticker: JPM
Market cap: $331.9B
P/E ratio: 8.4x
Dividend yield: 3.54%

6. Walgreens Boots Alliance

Ticker: WBA
Market cap: $34.4B
P/E ratio: 5.5x
Dividend yield: 4.80%