# How the Rich Invest When the Markets Crash

## Description

Many of today's investors weren't in the markets during the 2007-08 Financial Crisis, when Mr. Market pulled the rug from underneath everybody. Many contrarian investors got very rich by buying into the financial crisis, but few managed to get the most out of the generational opportunity.



You see, it's not *just* about keeping your cool in times of turmoil. As Warren Buffett recommends, investors should be getting greedy while others are fearful, but it is possible to be *too greedy* in the early innings of what could be a very deep market crash.

Although we don't know how deep a crash will be, it's prudent not to get *too excited* after the **S&P 500** has only tumbled a measly 15%, an unremarkable decline in the grander scheme of things. Such a drop isn't even a bear market territory yet, and if you find you're lacking liquidity should the markets continue to retreat, you're not going to be happy watching the incredible bargains from the sidelines.

For new investors, stocks are the cheapest they've been in recent memory right now. While that's a good sign that it's time to be a buyer; it's also true that stocks are nowhere near as cheap as they've been from a historical standpoint.

It's difficult to fathom for new investors, but imagine a blue chip stock like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) sporting a 13% dividend yield. You may think it's impossible, but when things got really ugly in the last recession, we witnessed blue chip names clock in yields that are more than double of where they are today, implying a further decline of 50% from current levels.

In other words, it's great that you're thinking about buying stocks after this bear market in the making, but don't think for a minute that when you pull the trigger on a stock that you're buying in at or around the bottom, because with the ineffectiveness of dip-buyer this time around, odds are you'll getting a far better price in a few weeks down the road.

Instead of trying to put the entirety of your cash reserves to work, ration it and be ready to buy incrementally on the way down. Whether the markets fall 30%, 40%, or 50%, you should have cash ready to buy on these checkpoints, something that won't be possible if you've already done all of your buying after the markets have fallen just 15%.

But don't get me wrong: CIBC is dirt cheap after the recent correction. It's a buy-worthy dip with shares trading at just 8.2 times forward earnings. And although the stock is the cheapest it's been in recent memory; there's no stopping the stock from falling much further such that it's around the cheapest it's *ever* been. The big banks aren't immune from economic downturns, but their dividends are robust enough to survive through the worst of recessions.

And when that +12% yield on CIBC comes knocking, you're going to want to have cash to back up the truck. Otherwise, you're going to be watching others take advantage of bargain-basement prices that we may not see for again for decades.

Stay hungry. Stay Foolish.

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2. TSX:CM (Canadian Imperial Bank of Commerce)

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