Why I Think A Stock Market Crash Could Be An Opportunity To Make A Million

Description

One of the most challenging aspects of investing is successfully buying low and selling high over a long time period. All investors have that ultimate goal, but delivering on it seems to cause a significant amount of difficulties.

Market crashes are, of course, the best opportunities to buy stocks at discounted prices. History shows that an investor buying during crises such as the dot com bubble, the financial crisis or any other major decline in the stock market would be handsomely rewarded within a matter of years – or months, in some cases.

With that in mind, the recent volatility in indices such as the S&P 500 and FTSE 100 could be an opportunity for investors to boost their chances of making a million.

Net buyers

While it is natural for an individual to feel concerned about the risk of loss when buying during a market crash, the reality is that most investors are net buyers of stocks throughout their lifetimes. In other words, during their working career, they are buying stocks rather than selling them. Even in older age, many investors will hold onto their stocks in order to generate an income, and may look to invest any dividends received which are not spent as part of their living costs.

Furthermore, many investors may fail to sell when stock markets are trading at high levels. Often, a stock market may appear to be expensive, but can then rise substantially in value as investor sentiment becomes increasingly optimistic. A fear of missing out on further gains may mean that many investors fail to move out of equities and into other assets, such as bonds, during their investment careers.

As such, it may be beneficial for the stock market to be low, rather than high. Focusing on this idea, rather than on the short-term risk of loss, could enable investors to more easily capitalise on the opportunity presented by a falling stock market.

Outlook

While the recent pullback in stock markets across the globe may not yet be considered a market 'crash', it could easily become one. There is a real threat of a full-scale trade war between the US and China, with both countries apparently intent on putting in place increasingly protectionist trade policies. With the Chinese economy also showing signs of a slowdown in its GDP growth rate, import tariffs could significantly hurt its future growth prospects.

Additionally, risks such as a rising US interest rate and Brexit may impact negatively on global stock markets. They could cause many investors to sell as a result of short-term fears. Therefore, there could be opportunities for investors to buy stocks when they are low in order to benefit from stronger gains further down the line. Doing so may prove to be painful over a matter of months. But over a number of years, it could increase your chances of making a million.

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