



## How to Make Enormous Wealth in the Next Bear Market

### Description

Investors are the most strapped for cash in a bear market; their cash positions dwindle as stocks drop lower — seemingly with no sight to a bottom. However, remember that the stock market can make investors' financial life better off, but bear markets can make investors rich!

Here's how you can make enormous wealth in the next bear market.

### Have a sizeable cash position

The Canadian and U.S. stock markets have gone up for about 10 years (with small ups and downs in between). Historically, bull markets only last for about 10 years before something comes along to trigger a market crash.

Therefore, it's only prudent to hold at least 20% of cash in your portfolio, unless you need it invested to generate the income you need.

Warren Buffett is used to making extraordinary multi-billion-dollar deals during market crashes. That's why he has been hoarding an increasing amount of cash in **Berkshire Hathaway**, and why the stock has been in consolidation and has essentially gone nowhere since 2018.

Berkshire held US\$119 billion in U.S. Treasury bills and other cash equivalents and an additional \$20 billion in fixed-income securities at the end of the second quarter compared to its U.S. stock portfolio that was worth US\$208 billion at the time.

**Fairfax Financial** employs a similar business model as Berkshire. At the end of the second quarter, it had more than US\$10 billion in cash and short-term investments and more than \$16 billion of bonds against roughly US\$5.5 billion of common stocks.

Both companies will undoubtedly make loads of money from the next bear market. By owning shares of these companies, you'll benefit when they make money.

## Build income streams

Build streams of income from quality dividend stocks at good valuations so that you can have persistent cash inflow to build your sea of cash.

A dividend stock I absolute love to buy more of today is **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)). It's a stock that most fund managers will miss because of its small size; it has a market cap of only \$522 million.

However, A&W is a perfect stock for small investors who are seeking income. It generates a monthly cash distribution that is set to grow. Across about 970 of locations, A&W earns 3% of the gross sales as royalty income. After subtracting fund expenses and taxes, all of what remains goes to unitholders as cash distributions!

Thanks partly to the launch of the **Beyond Meat** burger, A&W has seen stellar growth since 2017; the stock has experienced a dividend growth rate of 7% since then! Sure, A&W will experience slow growth from time to time, but its cash distribution should remain stable.

Right now is an excellent time to accumulate shares in the [recession-proof dividend stock](#) and to certainly buy even more on further dips. Currently, A&W starts you off with a safe yield of 5.1%.

## Investor takeaway

To get rich in the next bear market, you need cash. Start building a big cash position now and an income stream that will [persistently pay you passive income](#).

When a bear market hits, you can even go to the extreme of cutting your **Starbucks** coffee and stop eating out — essentially, halting your discretionary spending; every dollar saved can go straight to your investment fund. Short-term pain is long-term gain!

Stay hungry. Stay Foolish.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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### Date

2025/07/07

### Date Created

2019/10/27

### Author

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