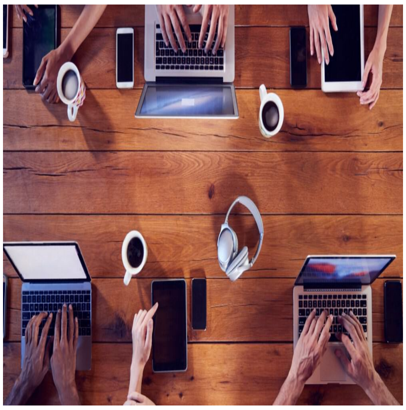

Millennial Investors: How to Profit As the Market Collapses

Description

Millennial investors should be nervous. Markets are plunging due to the coronavirus. Oil markets are engaged in an all-out pricing war.

Here's the thing: if you're young, this is not the time to ditch investing.

Thousands of investors abandoned the market during the financial crisis of 2008, a period in which the global economy was in dire straits. The drivers were different, but the pandemonium of that bear market mimics what we're experiencing today.

If you sold your stocks during the drop, you may have missed out on the next decade of returns, which representing one of the strongest bull markets in history.

Whatever you do, don't abandon your regular investing habits. It can be *extremely* difficult to keep putting money to work during a bear market. Yet as we've seen, this is consistently one of the best moves you can make for your long-term financial future.

How to capitalize

Regular investing is important. Regular investing as prices get cheaper is even *more* important. After all, your returns are ultimately a function of what you pay. Counter-intuitively, paying a cheaper price actually reduces your risk, boosting your odds of positive returns. That's a difficult lesson to stick with as prices collapse, however.

Not only is it hard to continue buying as prices fall, it's often impossible. That's because people lose their jobs, tap into their emergency funds, and become stuck paying off fixed debt obligations. If your finances were tight last month, things are about to getting even worse.

Here's the ultimate goal: you want to be able to deploy capital as markets crash. As the saying goes, "the time to buy is when there's blood in the streets." There are two things you need to do toaccomplish this.

First, get your financial house in order. Tally up all of your assets and separate them into liquid assets (things that can be converted into cash quickly) and illiquid assets (things that take days, weeks, or months to sell). Then tally up your debts.

Comparing your total assets with your total debts is a good exercise, but make sure to also compare your *liquid* assets against your debts. If you lose your source of income or have an unexpected expense, these are the assets that you will be drawing from. Equity in a home won't do you any good if your high-interest debt is due next week.

Your second action should be to establish automatic contributions. Most brokerage accounts allow for this. For example, you can set-up a biweekly deposit of $100.

Whether you're investing $100 or $10,000, make sure that automatic contributions are in place. Humans are infamously fallible, but an algorithm is not.

When you're too scared to invest, a computer won't be. Automatic contributions ensure that you continue to buy at cheaper and cheaper prices.

Of course, you need to know which cheap stocks to buy. But first, you need to tighten up your finances and ensure you actually have money to invest. Next, you need to establish automatic contributions to be sure that you'll follow through on buying.

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