Stock Market Crash: 5 Things You Must Not Do

Description

This year's stock market crash is your chance to make millions. Indeed, I believe the current bear market is the opportunity of a lifetime.

Bear markets don't occur very often. When they happen, the best thing you can do is to buy into the top businesses that you know will survive and thrive five, 10, or more years down the road.

However, there are five things that you should avoid doing.

Don't blindly invest in stocks that others buy

An investor shared that he was thinking of putting all his capital into a few stocks. He highlighted that's what made Warren Buffett rich in the early days of managing **Berkshire Hathaway**. Moreover, this investor plans to execute this plan by investing in disruptors like **Tesla** and **Illumina**.

The investor believes that stocks driven by disrupting businesses will come out much stronger from economic woes with greater market share. They may be right.

However, it's important to note that Warren Buffett invested in his circle of competency, which was especially important in the early days. The reason is that if you make even one wrong call by investing in a few stocks with all your capital, you could lose a big portion of your money.

Imagine investing $100,000 across three stocks. If one business goes bankrupt, you'd lose $33,333.

I suspect that this investor has extensive knowledge about the companies he advocates. That said, other investors may not know what he knows. So, they shouldn't follow his investing footsteps blindly, because if things turned south, and they don't understand the companies behind the stocks, they could lose their hard-earned money.

Don’t put all your eggs in one basket

This concept is alluded to in the previous section. In essence, you want to diversify your portfolio. There are 11 sectors: financials, utilities, consumer discretionary, consumer staples, energy, healthcare, industrials, technology, telecom, materials, and real estate.

You might want to invest in specific industries. For example, residential REITs are one of the most defensive industries as illustrated by the relatively strong resilience of the stocks of **Canadian Apartment REIT** and **InterRent REIT** in the current market crash.

Obviously, in a bear market, typically all stocks fall. However, you’ll find that specific sectors, industries, or stocks hold up better. Moreover, certain stocks, such as REITs, banks, utilities, and telecoms, offer above-average safe dividends that help investors hold on to their stocks psychologically.

Don’t buy the weakest stocks

Intuitively, investors want to shop for bargains. However, don’t buy the stocks with the weakest price actions.

The stocks of so many wonderful businesses are selling at huge discounts (assuming a long-term investment horizon) in this stock market crash. Allocate your capital to your best ideas first. You’ll be glad you did!

Some great businesses that are on sale include **BCE**, **TELUS**, **Royal Bank of Canada**, **TD Bank**, and **Brookfield Asset Management**.

Don’t buy in one lump sum

In today’s very volatile market, you’ll likely get a lower average cost basis by averaging into your positions over time. Besides, it’ll feel better psychologically to deploy your capital systematically, say, once a month. So, don’t buy in one lump sum.

Don’t panic sell

As mentioned above, stocks are super volatile in bear markets. So, your stocks will likely go even lower after you buy them.

Do not panic sell.

Do your due diligence on the businesses you are becoming part-owners of and focus on these companies’ long-term profitability that you’ll share.

Here are stocks that can make you wealthy in this stock market crash.

CATEGORY

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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