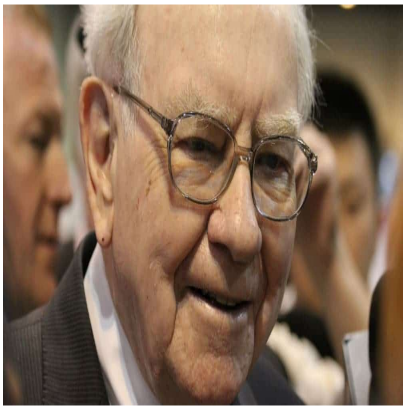

Warren Buffett: 3 Rules for This Market Crash

Description

Warren Buffett is one of the greatest investors of all time due to the gains he has made over his lifetime. While these gains extend more than 50 years, one thing that's important to note is a lot of his best investments came during market crashes.

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The current investing environment we are in offers many long-term opportunities right now. And savvy investors like Warren Buffett use this opportunity to buy high-quality stocks while they trade below fair value.

These stocks are already top investments, so to get them for below fair value sets investors up for a lifetime of gains. That's been the main factor contributing to Buffett's +50 years of compounded annual gains above 20%.

However, despite the attractive prices for most stocks, investors still need to be careful. You can't just buy any stock because it's more than 50% off its highs.

You still have to do your research, understand the company you are buying, and make sure that it can be counted on through thick and thin.

Making sure to do your research and keeping these three rules in the back of your mind will help investors to emulate Buffett and make the best long-term investment decisions possible.

Buy stocks in the market crash and invest for the long term

When you buy a stock, ideally, you should be buying it in anticipation of holding it forever. Sometimes your view of a company or an industry may change over time, but, in general, you should aim to hold stocks for decades.

Buffett has always said that his favourite holding period is forever. This is because if you are buying top companies every time the stocks become attractive, over the long run, these companies will continueto be the best performers.

One perfect example of a stock to hold forever is **Canadian National Railway**. Canadian National is a leading railway stock in Canada and a company that is crucial to the Canadian and North American economies.

Railroads have always been great investments, and the companies tend to grow with an economy. So, if you can get buy railroad stocks cheap in a market crash, the investment is almost guaranteed to earn you significant returns.

Avoid value traps

Oftentimes, savvy investors can find unloved stocks that seem super cheap. Investors need to be mindful that if stocks sometimes seem like a deal is too good to be true, it probably is.

These cheap stocks often have underlying headwinds with their company or industry, which leads them to become value traps.

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When Warren Buffett first started out, he was buying fair companies at high-quality prices. He has since shifted his investment view to focus on acquiring high-quality companies as long as he can get them for a reasonable price.

This strategy, he feels, will outperform in the long run, as these major stocks grow by a bigger margin than the deals offered by the companies that aren't as great.

Never lose money, even in a market crash

Never lose money sounds like an obvious goal, and it also seems like it's impossible to achieve. The reason why it's an important rule is because of the intuition that goes along with it.

When you buy a stock, it's because you believe it's undervalued and will grow for decades to come. And although nobody is perfect and sometimes things don't work out, this is why investors diversify.

However, in the case where a stock may decline in the short run, especially right after you've just bought it, your intuition could be telling you to sell the stock.

Selling stock is essentially the only way to guarantee you lose money. And if the company is as good as it should be for you to make an investment in the first place, it may be prudent to buy more shares as it falls.

Bottom line

When you listen to Buffett's advice and rules, investing doesn't become so complicated. All it takes is an understanding of what will make companies great over the long run and the discipline to buy and sell them at the right time, not when your intuition tells you to.

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