



Market Crash 2020: Are You Ready to Get Rich?

Description

Watching your wealth drop every time you check your account balances is a gut-wrenching feeling. Believe me, I know. It's no fun to go through a market crash.

But investors must get past that feeling, since it's one of the biggest reasons why we act illogically during bear markets. It's funny; I often see the same investors who say they'll be buying during the next crash do the exact opposite. They panic and find reasons why stocks will keep going down — an attitude that only reverses itself when stocks have already rallied smartly off the lows.

Others make a different mistake and anchor themselves to the low. They discard cheap stocks, because those same companies were even cheaper a few days or weeks ago. They choose to not buy today in hopes that they'll get a better price, despite the uncertainty of not knowing where prices will be in the future.

Today's market crash is an opportunity to put money to work over the long term in [excellent companies](#) trading at very reasonable valuations. Here's how incredibly powerful that concept can be over the long term.

A small investment can make you rich

For folks with a few decades left until retirement, one of the easiest ways you can boost your investment returns is by purchasing cheap stocks in a beaten-up bear market.

Over the long term, the stock market generally returns about 8% per year. But I firmly believe investors who buy today can easily lock in a 10% return over the long term. Depending on how the overall economy does, the total return could be even higher.

Let's talk about what a big difference just 2% extra can make over the long term. Say you have three decades of investing ahead of you and you're looking to put \$50,000 to work today. If you earn 8% on your money, you'll end up with a little over half a million by the time you retire. That alone is a pretty solid result.

But if you earn 10% annually, you'll do a whole lot better. Your total nest egg after 30 years would end up a little more than \$872,000. That's right; you'll end up with nearly 75% more money by earning a mere 2% more each year.

How to get there

The great thing about market crashes is, you don't need to take on a whole lot of extra risk to get better returns. You can put your money into solid stocks that offer good downside protection. After all, most everything is cheap during a market crash.

For instance, let's talk a little bit about **Great-West Lifeco** ([TSX:GWO](#)), a Canadian life insurance company that has quietly grown into a financial services powerhouse. Services include all different kinds of insurance, wealth management, and investment services. Operations are in Canada, the United States, and in various European countries.

Great-West Life shares have suffered lately, as investors worry low interest rates will lead to lacklustre investment returns. Remember, life insurance companies invest large amounts of capital in bonds, instruments that are sensitive to interest rates. But the company has been able to keep earnings steady over the last few years as interest rates declined. And much of its income now comes from various investment management fees and other areas that aren't so sensitive to interest rates.

The company pays a [succulent dividend](#) that has gotten even better with this market crash. The current yield is 7.4%, and the dividend-payout ratio is well under 70% of earnings. That's an excellent combination.

Over the last 20 years, including reinvested dividends, Great-West Lifeco shares have returned just over 8% per year. But remember, the stock is down more than 30% from recent highs. So, even though we're tracking long-term results that end in the middle of a market crash, the stock has delivered a decent return. Because of this, I'm confident returns over the next 20 years will be closer to 10-11%.

The bottom line

If you have a little cash to invest during today's market crash, it can be enough to make you rich. Add in steady investments throughout the rest of your investing journey, and it'll easily be enough for a prosperous retirement.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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