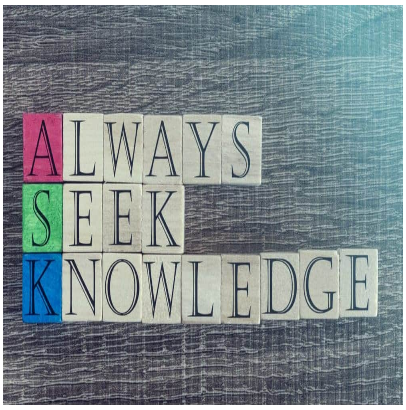

3 Stock Investing Tips for This Market Crash

Description

Major stock market crashes are often seen as ideal opportunities by long-term investors to snap up shares in solid, high-value businesses at rock-bottom prices. The current market crash, triggered by the coronavirus pandemic, is no different.

At this point, economic forecasts are all over the place. Given so much uncertainty, it's hard to predict whether we have already hit the bottom or we have more downside to endure, as the world economy enters the worst recession of this century.

But for Benjamin Graham, the great investment analyst of the 20th century and Warren Buffett's mentor, the market crash of this magnitude isn't something unusual. Investors should reconcile themselves to the probability that stocks will fall by 33% or more at least once every five years, according to him.

The S&P/TSX Composite Index had fallen by 34% on March 23 from the record high it reached just a month ago. That crash was the steepest in the stock market history, and it created many opportunities for long-term investors. Since then, the index has recovered about 20%. If you're a do-it-yourself investor and sitting on the sidelines with cash, here are my three stock investing tips.

Invest for long term

First, let's dispel the impression that there is a quick way to make millions from the markets. Investing in stocks successfully requires a long-term approach and patience.

After my two decades of experience of analyzing stocks and personally investing in them, I strongly believe that successful investors become partners in companies and remain invested over the long horizon.

The world's most successful value investor of our time, Warren Buffett, has a similar approach to investing. He finds value in the companies whose stocks are depressed after a market crash but whose underlying businesses are strong.

If you're in your 30s, time is on your side. You need to understand the value of continuing to contribute to your TFSA and other employer-sponsored retirement plans available to you

Find value in stocks

If you want to build a portfolio that could give a lot of passive income, you can follow a simple value investing style. You can buy stocks with wide economic moats and that are undervalued due to some short-term factors. By identifying such stocks and investing in them, you can build a portfolio that has the power to give you regular returns in the form of dividends and capital gains.

Stocks may drop further after the recent market crash, as investors absorb the economic damage, or they can continue their upward move. But a decade from now, you can reasonably expect a very solid gain over current levels.

Buying at a market low gives you a great foundation for future gains. If you'd bought after the 2009 market crash, you'd still be up 50% at today's depressed levels on the S&P/TSX composite.

Re-invest your dividends

Once you have set up a portfolio that regularly generates cash, the next step is to keep reinvesting your profit back and buy more shares. This step will unlock the power of compounding — one of the most important components of a successful long-term investing plan.

Canadian banks, for example, are great income producers for long-term investors, and they have very diversified operations. **Toronto-Dominion Bank**, for example, makes 30% of its income from the U.S., where it's among the largest 10 lenders. By buying its stock when its value is down, you could stash a great income stock in your portfolio and keep reinvesting the payouts.

Bottom line

A disciplined investment approach, picking solid dividend-paying stocks, and holding them for a long time are the key components of your journey to become a successful stock investor. When you combine this approach and use a tax-free savings vehicle, such as TFSA, you're most likely to achieve your financial goals.

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