3 Reasons a Stock Market Crash Is a Good Thing

Description

You’ve likely already heard the news. Another stock market crash is very likely headed our way. The main culprit, of course, is the pandemic. With countries around the world opening their doors, including Canada, that means the COVID-19 virus has new opportunities to spread. As further waves sweep through the country, more crashes are almost a certainty.

default watermark

But that’s not necessarily a bad thing. There are many reasons why a stock market crash can be good for the economy, and you personally. So let’s look at a few.

1. History repeats itself

There’s a reason economists though a stock market crash was coming before the pandemic showed up. Historically, a crash of some kind comes about once a decade. The last recession was way back in 2008 to 2009, so we were well overdue. There were a number of clues that this was about to happen.

Back in 2019, the International Monetary Fund (IMF) reported a “synchronized slowdown” in economies around the world. This happened as global production peaked in 2017, and slowly began to fall.

The cause of this slowdown in production came from increased indebtedness throughout the world, combined with geopolitical tensions. Countries became more and more in debt, leading to a higher risk of needing to restructure to pay down interest. The trade wars only made things worse. So, we were likely headed this way for a while.

But as you can also see looking back in history, these market corrections happen the other way as well. Investors were getting nervous, taking on more debt and not knowing when the crash was going to happen. Because, of course, it would happen. After the stock market crash in March, stocks began to climb back up. Now investors can be more confident in investing in a pre-crash world.

2. Long-term opportunities

Of course the problem is that there could be further crashes down the line. But if you've added a number of stocks to your watch list, then a stock market crash is an excellent opportunity. It provides you with the ability to buy up long-term holds on the cheap. These long-term holds can give you significant returns over decades, but also a huge boost as the stock market rebounds as well.

Millennials and younger investors in particular have an excellent opportunity. Over half don't invest, but still have savings. So put them to work! Choose a few stocks to keep an eye on, with a share price you're comfortable jumping on. Once you reach that level, buy in bulk! Then reinvest down the line as you see further crashes, or when you just have the funds available.

3. Deal on dividends

A lot of those long-term stocks also offer dividend yields. If you're able to choose a stock that offers those yields, it means you're getting an incredible deal. In some cases, you're buying up shares with dividends worth double what they were before the stock market crash.

default watermark

An ideal opportunity for investors to take advantage of all three points here is **Royal Bank of Canada** (TSX:RY)(NYSE:RY). The bank fared well during the last recession, and was prepared for this stock market crash. It has assets to fall back on, and continues to bring in revenue from its diverse portfolio.

Meanwhile, the bank is a strong long-term hold for investors looking to buy and hold for decades. During the past 20 years, it's come up 412% in a steady line. You can almost guarantee shares will do that again. Meanwhile, you can get bring in a 4.45% dividend yield right now, and even higher once another stock market crash happens.

Bottom line

You don't have to be scared of a stock market crash. Sure, if you're looking to cash out in the near future, now is a difficult time. But it's something we all need to be prepared for. Buying up long-term holds like these and holding onto them for decades means even if you have to cash out during the next crash, you'll still have made significant returns.

So use this stock market crash as an opportunity, and start adding to your watch list.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Date
2025/08/26
Date Created
2020/08/22
Author
alegatewolfe

default watermark

default watermark