

3 Tips to Invest Like Warren Buffett in the Next Market Crash

Description

Warren Buffett's **Berkshire Hathaway** sold a bunch of shares in the second quarter, including stakes in U.S. airlines, certain financial services companies, and **Restaurant Brands**. However, Berkshire also added shares in five stocks, including **Suncor Energy** and **Barrick Gold**, indicating that there is value in the market.

Still, the company increased its cash pile by 7% to US\$146 billion, equating to a cash position of 38%. Moreover, this cash position does not include the cash on the balance sheets of its stock holdings.

Buffett could be sitting on a massive cash pile in Berkshire because he's waiting for better bargains to come — likely in a market crash.

The stock market is trading near its all-time high, but many stocks are more expensive than they were a year ago due to the COVID-19 pandemic — one of the biggest economic disruptions in history.

What's scary is that a great deal of economic activity is being supported by government relief programs to combat the pandemic disruptions.

If you invest like [Warren Buffett](#) in the next market crash, you'll have nothing to worry about. Here are three tips to [invest more like him](#).

Increase your cash pile or cash flow

To take great advantage of the next market crash, you need cash — the more, the better. So, if you have the patience to wait for a market crash, consider holding a big pile of cash. Another market crash, like the one we experienced in March, would provide incredible stock buying and wealth creation opportunities.

You can also increase your cash flow by increasing your income sources like doing odd jobs or gigs or investing in income-generating assets like dividend stocks.

For example, Berkshire increased its stake in diversified REIT, **STORE Capital**, in Q2. The REIT participated fully in the March market crash by falling more than 60% from peak to trough but continues yields close to 5%.

STORE Capital is a wonderful business led by a superb management team. It was able to quickly improve its short-term liquidity ratios. Its current and quick ratios increased to 5.7 times and 4.5 times, respectively, from two times and 1.2 times a year ago.

Between March and June, the stock consolidated and finally broke out of the \$20 resistance. The stock has doubled from the trough! Even if you just bought the stock at US\$20, you'd still be sitting on impressive gains of over 40%.

Buy wonderful businesses in the next market crash

Technology and renewable energy are also great places to be invested in for the long haul. This group of stocks is mostly bid up, though. In the next market crash, investors should highly consider buying shares of wonderful businesses like **Open Text** and **Brookfield Renewable Power**.

Focus on the long-term value creation

Many businesses have their earnings impacted this year by the pandemic — some positively and others negatively. The important thing is to focus on the long-term value a business can bring.

For example, Canadian banking leader, **RBC**, will experience near-term earnings pressure due to higher percentages of bad loans in a stressful economic environment. However, its wide economic moats will allow it to recover over the next few years. Meanwhile, it can keep its 4.4% yield safe and increase its dividend in the long run.

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