Avoid This #1 Market Crash Investing Mistake

Description

Stock market crashes are mentally and financially distressing for the broad regular investors. When you invest in stocks, you should have a good grasp of the risks involved. The investment ground is not always fertile, although bull markets last longer than bear markets.

People, however, goes into panic mode when the market tanks. Usually, a reverse of the golden rule of investing (buy low, sell high) happens. By fighting the market and selling low, you might incur significant losses instead. You must avoid this number one investing mistake.

More investing tenets

Aside from a sound understanding of the stock market, you must have discipline and patience. High volatility is also confusing, because you have to decide whether to buy, sell, or hold. To live through the uncertainty, there are other steps you can take to protect your stock portfolio.

Often, the actions of other investors influence your decision. Following the herd mentality, either buying or selling could backfire. Legendary investor Warren Buffett advises, “Be fearful when others are greedy, and be greedy when others are fearful.”

Likewise, stock investing is not a popularity contest. Famous names are not necessarily the best or safest investments. Don’t enter the market blindly. With due diligence and proper research on the prospect, you can make well-informed decisions. The key is to choose the right stock and know your risk tolerance.

Timing the market is not advisable, too, because no one has ever succeeded with this strategy. The most difficult thing to do in the stock market is to catch the tops and bottoms. You can lose far more money than make profits. Panic moments don’t occur only during declining markets. Bull markets can also bring bouts of anxiety.

A core holding

Diversified utility company **Emera** (TSX:EMA) is an excellent core holding, regardless of market environments. This $13.3 billion firm is a defensive asset with growth potential. Over the last 20 years, the utility stock has a total return of 759.78%. Investors are pleased with Emera's resiliency in the face of COVID-19. The stock is losing by only 0.19% year to date.

Emera's dividend offer is a respectable 4.58%, which means a $25,000 investment can produce $1,145 in passive income. Your money will grow to $61,222.74 in 20 years. The payouts should be stable for years. The company's assets are worth $34 billion and generate $6.1 billion in revenues.

Cash flows are stable, as seven of nine companies under Emera's umbrella are regulated. The utility assets operate in six countries, including Tampa Electric in West Central Florida and New Mexico Gas in Albuquerque, New Mexico. A tax hike in the U.S. across industries should favour Canadian utilities. Emera can pass on the increase for higher returns.

Optimum gains

Investors will inevitably lose money by buying high and selling low. However, the number one market crash investing mistake is avoidable. Put your money in safe or less-risky instruments if you're building future wealth.

The market volatility should be of no consequence if you have a defensive asset like Emera. You can stick to your investment plan and keep a long-term view. The utility stock can deliver optimum gains over the long haul.

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