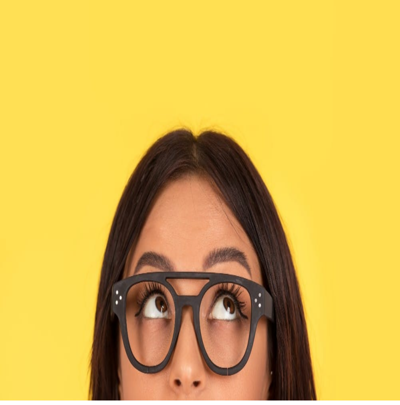

Why Stock Market Crash Round 2 Could Be a Rare Chance to Make a Million

Description

The prospect of a second stock market crash over the coming months may cause some investors to become worried about their financial prospects. That's understandable, since this year's market decline prompted severe falls in the share prices of many companies.

However, a market decline can also prove to be a rare buying opportunity. Certainly, it causes short-term paper losses. However, low stock prices can deliver recoveries that produce high capital returns for your portfolio.

Therefore, rather than worrying about a potential market downturn, viewing it as an opportunity to lock-in cheap share prices could be a more profitable move.

A rare opportunity

This year's stock market crash was a relatively rare event. The last market downturn of a similar size and scale occurred over a decade ago when the global financial crisis was in full flow. Prior to that, there have been relatively few similar occurrences, with notable bear markets including the dot com bubble in the early 2000s.

Certainly, there have been many market corrections and periods of high volatility throughout the stock market's history. However, occasions where investors are selling equities en masse to pile into less risky assets due to panic and fear being prevalent are fairly uncommon. Therefore, opportunities to buy high-quality companies at rock-bottom prices are worth grasping for any investor who can look beyond the next few months and instead focus on recovery prospects over the coming years.

Recovering from a stock market crash

The track record of indexes such as the FTSE 100 and **S&P 500** suggests that buying shares after a stock market crash is a sound move. After all, equity markets have always delivered recoveries following their declines. Sometimes this process has taken a matter of months. In other cases, it has taken years for the stock market to return to previous highs.

Investors can improve their prospects of taking part in a stock market recovery by focusing on high-quality businesses. For example, those companies with low debt and a competitive advantage may be better able to survive weak operating conditions in the short run. They may also be better placed to benefit from an economic recovery. This may lead to higher profits and a rising share price that positively impacts on your portfolio.

Making a million

Investing in a diverse range of shares after a stock market crash may increase your return prospects. This may enable you to beat the market's average return over the long run.

Even assuming you match the 8% annual total return that indexes such as the FTSE 100 have delivered could lead to a portfolio valued in excess of a million. For example, investing $100,000 today at an 8% return would produce a seven-figure portfolio within 30 years. Similarly, a $750 monthly investment would lead to a $1m portfolio over the same timeframe.

However, you could obtain a greater return by purchasing high-quality shares at low prices after a stock market crash. This could reduce the amount of time it takes to obtain a portfolio valued at seven figures.

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Date
2025/08/27
Date Created
2020/11/16
Author
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