



## Market Crash 2.0: Here's What You Should Be Doing to Prepare Yourself

### Description

Canadians have already experienced one 30% market drop this year. Should we really be planning for the next? Yes, the odds of two 30% market crashes happening within one 12-month span is very unlikely. But you can bank on the fact that any long-term investor will be faced with another steep market crash in their lifetime.

The news from early November regarding potential COVID-19 vaccines has created all kinds of optimism in the stock market. The positive news was reflected in a 10% gain in the **S&P/TSX Composite Index** in November. Year to date, that index is trading at roughly the same price that it was at the beginning of the year.

Potential vaccine or not, no one knows for sure if we are out of the woods yet. The stock market has been very reactive to any sort of major news surrounding the COVID-19 pandemic this year. If we were to be hit with a major setback regarding the recovery from the pandemic, another 30% market crash is definitely not out of the question.

## How to begin preparing for the next market crash

Low-interest savings accounts aren't the ideal bank account to store your retirement nest egg, but they're perfect for emergency fund savings. The savings account will provide investors with easy access to the funds, and you won't need to worry about cashing out when the market is down, since your money isn't invested in any sort of equity.

The lack of volatility and easy access comes at a cost, though. The interest you'll make is very minimal, especially when you're comparing returns to an investment in stocks.

Emergency funds provide us with two benefits. The first, of course, is a fund that we can access in a time of emergency. That could be from a job loss, unplanned vet bill, car repair. The emergency fund is there, so you're not forced to sell off any type of investment to pay for an unplanned bill.

The second benefit is peace of mind, which I'd consider to be priceless. Many Canadians suggest having three to six months of living expenses saved up. That may seem like a lot of money if you're starting from scratch, but once you've saved enough to hit that goal, the feeling of knowing you're

protected with half a year's worth of expenses will be worth all the hard work it took to get there.

## Now it's time to begin investing

Once your emergency fund is fully stocked, you're ready to take advantage of [rock-bottom stock prices](#) during a market crash.

When the market crashed earlier this year, there were all kinds of opportunities to scoop up shares of [top TSX companies](#). Since the market bottomed out in March, we've seen plenty of Canadian companies go on incredible bull runs.

It may be intimidating to invest in a company after seeing it fall as much as 30-50% in just one month. To make it easier, remind yourself that you're a long-term Foolish investor that will have lots of time to watch the stock rebound before needing to sell shares.

## Two TSX stocks to keep on your radar for the next market crash

**Constellation Software** ([TSX:CSU](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have been two of the top Canadian stocks over the past five years. The two tech companies have easily surpassed the returns of the Canadian market during that time span.

Constellation Software saw its share price drop 20% when the market crashed earlier this year. It has since rebounded by close to 40% and has more than doubled in share price over the past five years.

The much more volatile and expensive Shopify was hit harder by the COVID-19 market crash. The tech giant dropped close to 40% in just over one month, but then went on an incredible run of about 200% over the next eight months. Over the past five years, Canada's largest company is up an unbelievable 3,750%.

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