Stock Market Crash 2021: Time to Get Rich

Description

There is a great chance that a stock market crash can happen in January 2021. The stock market might seem like it is doing fine. Unfortunately, that does not necessarily indicate that the economy is doing well.

The **TSX Composite index** declined by 38% during the last stock market crash, fueled by the panic created by COVID-19. The government took on monumental efforts to provide relief to Canadians affected by the lockdown to ease their financial burdens.

It looked like we avoided an enormous financial crisis, thanks to the Canada Revenue Agency (CRA) pumping millions in stimulus funds into the economy. However, there is another market crash on the cards due to the immense economic impact left by the ongoing pandemic.

The time to buy high-quality dividend stocks

Most people hate a stock market crash. It is perfectly reasonable to fear a market crash for obvious reasons, but investors with a long-term horizon can use this as an opportunity to become much wealthier. The best way investors achieve this is by treating a market crash as the chance to purchase high-quality dividend stocks on the cheap.

The valuations of high-quality stocks keep rising during a healthy economy, when everything seems to be going well. These income-generating assets grow shareholder wealth through regular dividend payouts and capital gains. However, many investors choose to stay away from them due to the high valuation. Investors could consider looking for better value in burgeoning stocks that can grow their capital.

A stock market crash can bring the valuation of even the best stocks on the TSX to more approachable levels as everyone panics and exits their positions in the companies. This devalues the share prices further, regardless of whether the underlying company is financially sound. The result is open season for value investors to get a piece of the pie at a much lower cost.

Once the dust settles and the economy recovers, value investors who made the right investment decisions can become much wealthier than before.

A recovery pick for after the market crash

I think that **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is an excellent stock to consider for this purpose. The stock declined by more than 35% from its peak to trough in the March market crash. TD has recovered by 45.47% since the crash, and it is trading for $71.69 per share at writing. At its current valuation, the stock is paying its shareholders at a juicy 4.41% dividend yield.

Toronto-Dominion Bank is a financial institution that has weathered several harsh economic landscapes. It has a wide moat that can allow the bank to get through the crisis without stopping its dividends. The bank has a dividend-paying streak of over 150 years that it did not break, even during the 2008 financial crisis and two World Wars.

Despite its reputation, TD suffered like the rest of the stock market in the March sell-off frenzy. A similar situation could take place if the market crashes again, sending its valuation reeling. While I would never recommend trying to time the bottom, I would suggest freeing up some liquidity, so you can buy TD shares if a market crash happens. You could get a fantastic deal on the high-quality dividend-paying stock.

Foolish takeaway

Value investors have used market crashes to make fortunes by playing it smart. Purchasing high-quality stocks for a bargain is one of the best ways to achieve long-term growth of wealth. If you think that a market crash is imminent, I would suggest reallocating your capital to make room to create a portfolio of high-quality dividend stocks.

Investing in the right mix of stocks at a low price could help you become far wealthier in the long run. I think TD could be an excellent addition to such a portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2020/12/18
Author
adamothman