



Warren Buffett: How to Prepare for a 2021 Market Crash

Description

Warren Buffett once said, “If you aren’t willing to own a stock for 10 years, don’t even think about owning it for 10 minutes.” His motto holds true today. In 2020, we have seen everything: a pandemic, [a stock market crash](#), an economic crisis, and one of the greatest stock market rallies in history. Talk about volatility! I don’t know about you, but 2020 has rocked a lot of my assumptions about investing. Yet, [there are few ideas from the Oracle himself](#) that could serve investors well for 2021 and beyond.

Warren Buffett: Only buy forever stocks

Like Warren Buffett, long-term investors will continue to outperform over time. Day traders and speculators may have had their day this year. Yet there is almost no research/evidence to indicate that retail day -traders/speculators garner superior long-term returns over buy-and-hold investors. Mr. Buffett has famously said, “[O]ur favourite holding period is forever.” Ultimately, the best ally of most investors is patience and time. Warren Buffett has +70 years of investment experience to back this up, and his billions are evidence that it works. It may take years for an investment thesis to play out, but when it does, it really rewards investors.

Don’t worry about the market if you own the best

Warren Buffett also famously stated this year, “If you owned the businesses you liked prior to the virus arriving, it changed prices, but nobody’s forcing you to sell.” His point is, buy stocks like buying a private business. For me, this rings incredibly true. During the market crash, I got scared and started raising cash by selling some great businesses. Unfortunately, I let short-term fear dictate my long-term investment plan. Turns out Warren Buffett was right. Despite those stocks *temporarily* losing value on the market, their fundamental businesses never changed. Consequently, most of them have quickly rebounded and are now hitting 52-week or all-time highs!

Once again, this affirms Warren Buffett’s thesis. The best way to prepare for a market crash or any market volatility is to [own the best businesses](#) and then do nothing at all. Like Buffett, hold those

businesses forever (or as long as their investment thesis remains intact) and forget about the day-to-day moves of the market.

This Warren Buffett stock holds true in any market

One business that is an ideal buy-and-hold-forever stock is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). It, and the entire Brookfield empire, encapsulates the ideal Warren Buffett investing theology: that is, to find under-utilized/unloved assets, buy them at fire-sale prices, re-calibrate the business model, refinance, and unlock resilient, mature cash-cow businesses.

BIP is both an expert and a master at searching the globe for top-quality infrastructure assets at deep value. It has created incredibly strong returns with this strategy. If you held this stock over the past 11 years (since it was spun out of **Brookfield Asset Management**), you'd be up a whopping 773% (if you reinvested your dividends)!

The past could predict the future

Despite those strong past returns, BIP remains a perfect Warren Buffett forever hold. Infrastructure assets like electric transmission lines, cell towers, railroads, and data centres have become incredibly attractive to institutional investors. With bonds yielding below 2%, institutional capital has to look elsewhere for yield. Increasingly they come to BIP for its largely regulated, utility-like assets that pump out strong cash flow yields. Consequently, BIP's assets are worth more now than ever.

BIP has a strong diversified, organic growth pipeline. Yet, with global economies in upheaval, it also has a great opportunity to grow through value-priced acquisitions. It operates an ideal Warren Buffet investment formula. I think it will pay off for many years ahead. The stock pays a great 4% dividend that is growing by 5-9% a year. Hold this stock forever, and your fortune may start to look like Warren Buffett's sooner than you think.

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