



This New Year, Learn How Warren Buffett Deals With a Market Crash

Description

The world-renowned investor Warren Buffett has seen several market crashes during his over half-a-century-long investment career. That's why it's always wise to listen to this 90-year-old legendary investor when it comes to [preparing for an upcoming market crash](#). Here are some great lessons that Canadian investors can learn from him to prepare for an [expected market sell-off in 2021](#).

Warren Buffett's outstanding track record

Buffett started his investment career as an investment salesman at Graham-Newman Corp in the early 1950s and became the richest person on the planet in 2008. During this journey, he not only made a fortune by investing in stocks from various sectors, but he also loves doing it.

You might already be aware that Buffett believes in the value investing philosophy. But not everyone is capable of finding great undervalued businesses like him. He looks at his investment from the perspective of an owner. That's why he doesn't invest just for the sake of making quick money by buying a stock today and selling it tomorrow — when it surges temporarily based on any news. Buffett calls such news market noise that he prefers to ignore.

His smart moves

Buffett is always prepared for an unexpected market crisis that probably would make novice investors make investment decisions in a panic. Sometimes it's not easy to understand his moves, but we could take some hints from them.

For example, he offloaded all his investment firm **Berkshire Hathaway's** airline holdings in early 2020. At the time, many people were buying falling airline stocks in hopes of a sharp recovery within a few months. If we had understood Buffett's foresightedness, we would never buy airline stocks when their future is completely uncertain. As many experts predicted, business air travel might be reduced by more than 40% in the post-COVID world. So, airlines might have to find other ways to generate profits, which may take years.

Buffett is preparing for a huge market crash

Buffett has been preparing for an upcoming market crash for a long time. His investment firm has refrained from making many big investments in 2020 — resulting in Berkshire Hathaway's increased cash pile. It clearly indicates that he's finding most stocks too expensive right now and waiting for a big crash in the near term to buy them cheaper.

But his portfolio isn't empty

While Buffett's recent moves hint towards an upcoming market crash, he's still holding many tech stocks like **Apple**, **Amazon.com**, and many bank stocks in his portfolio. It simply means you don't need to completely exit the stock market to prepare for a market crash. But rather, you should adjust your holdings to be prepared for it.

For example, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) could be one such great stock to buy in 2021. It could help you swim through a market crash swiftly. It has done exceptionally well — compared to the market expectations — during the COVID-19 crisis. The bank's [financials significantly improved](#) in the fourth quarter of fiscal 2020 after facing COVID-19 headwinds in the previous couple of quarters.

Unlike many other Canadian banks, TD Bank has beat Bay Street analysts' earnings estimates in the last couple of quarters with stable net interest income. A sharp recovery in its Canadian retail banking operations and a massive rise in its wholesale segment net income has accelerated TD Bank's overall financial recovery.

Notably, its wholesale segment quarterly net profit rose to \$486 million in Q4 — significantly higher than \$326 million a year ago.

However, its stock was trading within the negative territory on a year-to-date basis as of December 30. Its stock could outperform the broader market by a wide margin in the coming quarter, as investors appreciate its continued strong recovery and financial performance.

Bottom line

We must learn from Warren Buffett's experience and take hints from his recent move to prepare for an upcoming market crash. Understanding and implementing his investing philosophy could help us make a fortune with stocks in the long term and retire early with peace of mind — if we act in time.

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