Could Saving Too Much Cause a Market Crash?

### Description

It's said that too much of a good thing can be bad, but that's one adage that people are bound to be skeptical about. Would too much money in your bank accounts or too much kindness in the world really be a bad thing? Similarly, we are all taught from an early age that the more you save, the better you will fare in economically harsh times.



And we learned about the importance of savings during the pandemic the hard way. Millions of people lost their jobs, and they didn't have enough savings to sustain them through a few months with no income. This was one of the reasons why the government had to issue payments during the pandemic so that people could pay for basic necessities like a roof over their heads and food on their table.

This clearly indicates that we need to save more, but ironically, saving too much can actually be harmful to the economy.

## Post-pandemic savings trends

It's highly likely that people, who suffered job or other income loss during the pandemic and had to rely on stimulus payments like the CERB for basic necessities, would start saving more aggressively in the future. These people suffered financial trauma and will bear the scars for a very long time.

While that seems like a smart route to take on an individual level, aggressive savings might have negative repercussions for the economy. When people save more, they naturally spend less. And less spending means less money flowing into the market.

According to an economist, the savings rate rising from 7% to 10% post-pandemic can reduce the annual consumer spending by about $500 billion. That's an astounding number and would result in a severe blow to the already weakened economy. He also talked about the long-term economic repercussions of the stimulus and how they have temporarily inflated the economy. But sooner or later, the music will stop, and the economy will bear the consequences of more saving and less spending.

## What should you do?

Unfortunately, this is a riddle for the government to solve, and it can't actively encourage people to spend more and save less. So as an individual, you shouldn't feel guilty about being responsible for your money. And you should take advantage of the opportunities as they present themselves. If a higher savings rate does end-up instigating a market crash, you should try and take advantage of it and buy robust recovery and growth stocks, like **Lightspeed** (TSX:LSPD)(NYSE:LSPD).

From its lowest valuation in March, when the stock fell over 70% from its pre-pandemic high to its current valuation, the stock price has grown a whopping 630%. So if an investor had bought at the right time, they would have grown their capital six-fold by now. If you missed this opportunity the first time, a second crash might be the perfect time to add this growth monster to your portfolio.

## Foolish takeaway

Even if the current "tech-frenzy" seems temporary and the current growth spurt looks over-inflated, it's hard to discard the potential of Lightspeed as a robust growth stock. It's well placed in the e-commerce market, which is expected to keep growing at a healthy pace for many years before reaching its saturation point. Lightspeed is also expected to become the next **Shopify**.



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