



How to Make \$20,000 in Profit During the Next Bear Market

Description

Bear markets are scary, but they're also an opportunity to make money.

As Warren Buffett advises, your profit will ultimately be a function of the price you pay. The lower your entry price, the bigger the gains.

If you want to make \$20,000 or more in profit this year, here's how.

Skip the bear market

You know the saying: it takes money to make money. It's a cliché, but it's true. Your profits will only be generated off the amount of money you invest. That's why ensuring you have as much investable funds as possible during the next bear market is critical.

You essentially have three choices.

First, sell all of your stocks, converting your portfolio to cash. This is highly inadvisable. As Ray Dalio puts it, timing the market is like playing poker against the best. Most of the time, you'll fail.

Your second option is to continue investing *fresh* cash, most likely generated using your regular income. This should be the plan no matter where the market heads. Regularly contributing capital on a monthly basis is a sure-fire way to build a fortune. But during a bear market, regular incomes can be disrupted, so don't rely on this being your only avenue.

The final course of action is to transition towards recession-proof stocks like **Hydro One** ([TSX:H](#)). As a rate-regulated utility, this company has high visibility into 99% of its annual revenue. Even a deep downturn won't hurt the underlying business.

Of course, even if your cash is protected during the next market plunge, you still need to know which stocks to buy at fire-sale prices. Let's now look at how to make big gains in 2021.

How to make \$20,000 in profit

The biggest gains during the next bear market will be made by software stock investors. These businesses can rise more rapidly than almost any other investment.

“Hardware companies almost always have short lifespans. They need to constantly create to survive,” I recently [explained](#). “Software, on the other hand, is a shortcut to success. The economics are vastly superior.”

Just take a look at a software stock like **Constellation Software** ([TSX:CSU](#)). Shares are up nearly 90 times in value since 2006. You could have generated a \$20,000 profit by investing just \$250!

The secret, of course, is [software](#). To acquire another customer, the company simply needs to send a download link. Growth is rapid, and many times, free.

Companies that produce physical goods enjoy no such advantage. To grow, they need to produce more products. That costs money and, just as importantly, takes time. Growth is slow and expensive.

When the next market crash comes, be sure to have a long list of potential software stocks to invest in. They're your best chance at turning \$250 into \$20,000 or more.

Bottom line

Constellation Software is likely a candidate for your buy list, but its biggest days of growth are over. With a market cap now exceeding \$30 billion, shares can only double again so many times.

The trick now is to find software stocks *before* they go on a big run.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing
4. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Energy Stocks
3. Investing
4. Tech Stocks

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2021/01/11

Author

rvanzo

default watermark

default watermark