



## Why I'd Follow Warren Buffett's Simple Advice in the Next Stock Market Crash

### Description

Warren Buffett has a long track record of capitalising on market downturns. Over recent decades he has successfully bought a range of high-quality companies when they trade at low prices. In doing so, he has become one of the most successful investors of all time.

With a stock market crash never far away, adopting a similar approach could be very profitable. As such, having some cash available and identifying high-quality companies prior to a market decline could be a worthwhile move.

### The prospect of a stock market crash

There have been numerous market downturns during Warren Buffett's investing career. In fact, they take place fairly regularly, with no bull market ever having lasted in perpetuity. This means that investors will inevitably have the chance to buy high-quality companies at cheap prices at some point over the coming years. During their lifetime, there are likely to be a number of buying opportunities caused by market falls.

In the long run, following a strategy of buying shares during a market crash could be very profitable. It means that an investor essentially purchases stocks at prices that undervalue their long-term prospects. Since every stock market crash has been followed by a return to previous record highs, it allows an investor to use market cycles to their advantage. The end result, as Buffett has shown in his career, is often market-beating returns that have a positive impact on an investor's financial situation.

### Following Warren Buffett into high-quality stocks

Of course, Warren Buffett does not simply buy cheap stocks during a market crash. Rather, he analyses industries and identifies the best companies. Clearly, what determines the best shares is very subjective. However, for Buffett it usually entails a strong competitive advantage that allows a company to earn higher margins and deliver a more resilient performance during challenging periods.

Certainly, such businesses could experience difficult operating conditions caused by a weak economic outlook that prompted a market downturn. However, their relatively high quality means they are likely to survive a period of weaker sales growth. They may even be able to expand their market presence and grab market share at the expense of weaker rivals. The end result could be higher profits and a rising share price in the long run.

## Preparing for the next stock market crash

Warren Buffett seems to be in a state of constant preparedness for the next market crash. His large cash position and analysis of companies means he is ready to pounce on high-quality businesses when they trade at low prices.

While many investors may be feeling upbeat about the stock market's outlook right now, a market crash can come out of nowhere. By preparing now and using it to their advantage, investors can follow in Buffett's footsteps and obtain higher returns than the wider stock market over the long run.

### CATEGORY

1. Investing

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

### Category

1. Investing

### Date

2025/08/25

### Date Created

2021/01/11

### Author

peterstephens

default watermark

default watermark