



Warren Buffett: The Best Investors Welcome Market Crashes

Description

Just over a year ago, as we began 2020, many investors thought markets were overvalued and possibly at risk of a market crash. In addition to the expensive valuations of stocks, well-respected investors like Warren Buffett had been accumulating a massive cash position.

This made it seem like there was a strong likelihood of a market crash in 2020. Then, of course, in late February and early March, the market crash did materialize, but not for any reason investors were expecting.

So after a quick recovery and complete divergence between the stock market and economy throughout 2020, many thought the market would crash again.

That never ended up materializing. Then as we got the vaccine news, it seemed that most investors forgot about the chances of a market crash altogether.

Now, though, with the second wave of the pandemic wreaking havoc and the reality of the vaccination efforts becoming strikingly clear, concerns there could be another [market crash in 2021](#) have increased as of late.

While this is generally concerning at first, seasoned investors will actually welcome market crashes. These are some of the greatest times to buy stocks for the long-term. And as Warren Buffett has famously put it, “Be fearful when others are greedy, and greedy when others are fearful.”

This goes both ways. Yes, you should be greedy when others are fearful and the market is crashing. However, you could look at stock markets today and conclude that record-high indices coupled with the unprecedented uncertainty may mean markets are being slightly greedy.

How to prepare for a market crash like Warren Buffett

With markets looking frothy and the potential for a crash to materialize, investors will want to prepare themselves as Warren Buffett would.

One of the first things to do is ensure that you have some cash on hand. Buffett often lets his cash pile up ahead of market crashes.

This isn't because he knows when they will occur. Instead, cash will pile up when he doesn't see any adequate value. That just usually happens to be ahead of a market crash.

The lesson investors need to learn is that if you can't find any stocks that you think are worth an investment, it may not be a bad idea to hold some cash.

Chances are, if things don't change soon, a market crash or at least correction will materialize and give you your buying opportunity. And if it doesn't, as the economy continues to grow and the macroeconomic situation changes, new opportunities will present themselves.

By having this type of outlook, you will learn to welcome a market crash just like Warren Buffett. After all, he has said before that if you're going to do "dumb things" just because stocks are down, you shouldn't bother owning them at all.

One of the top value stocks to buy today

These days there aren't too many stocks offering investors attractive discounts that Warren Buffett would be interested in. One of the last industries that continues to remain undervalued is [energy](#). However, even as of late, energy stocks have begun to rally.

There are still a few high-quality, long-term stocks offering investors value, though. One of the best is **Enbridge Inc.**

Enbridge is one of the biggest companies in Canada. It's highly resilient and can protect your capital. Plus, it pays investors an attractive dividend, which it's raised for more than 25 consecutive years, including through the pandemic.

Bottom line

It's natural to worry about a market crash. It's never easy to watch your investments lose value. However, as long as you are prepared ahead of time and committed to the long term, then there's nothing to fear. You'll soon learn to end up welcoming market crashes, just like Warren Buffett.

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