



Warren Buffett: How to Prepare for a Future Market Correction

Description

The stock market has been on an exceptional run in the last few months. Such a rally makes many investors richer and happier. It also makes the savvier investors feel worried. Experienced professionals in the stock market investing world know that such a rally is unsustainable, and there is a market crash lurking around the corner.

Of course, there is nobody more experienced than the Oracle of Omaha, Warren Buffett, himself when it comes to stock markets and market crashes. Buffett has faced several market crashes that saw people lose millions, but he used those crashes to make his billions.

Here are some key lessons that you should keep in mind when you think there is a market crash coming along soon to make the most of it as an opportunity.

Buying high-quality businesses with tough outlooks

An uncertain economic outlook means that several high-quality businesses will face tough financial challenges. It might cause short-term devaluation on the stock market, providing exceptional buying opportunities for long-term investors.

A company with resilient finances and a wide economic moat will most likely recover from short-term challenges posed by market crashes, providing massive profits to investors who buy on the dip. Buffett has made his fortune banking on such companies over the years, generating market-beating long-term returns.

Be wary of overvalued investments

The bull market we see right now is causing several equity securities to trade at all-time highvaluations. It is often the case with bull markets that investors become less concerned about the pricesof their current investments and look to growth opportunities. Many stocks might have a highvaluation compared to the intrinsic value.

Overpaying for stocks can lead to disappointing returns for investors. In such situations, it could be wiser to offload overvalued investments and increase your liquidity for better buying opportunities. Buffett is already [sitting on a massive cash pile](#) that he has increased throughout 2020 by selling overvalued investments.

Invest in long-term value stocks

Many investors begin seeking quick profits on the stock market during bull runs like the current one. However, hedging your bets on short-term profits is a risky strategy that can pay off but also result in significant losses if market swings are unfavorable. Instead of becoming overly bullish in the market, it could be better to maintain a long-term outlook

Brookfield Renewable Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a stock that you can consider for this purpose. While it is not a stock in Warren Buffett's billionaire investment portfolio, the stock has every potential to be an excellent long-term pick.

As the demand for green energy continues to increase, there are excellent growth opportunities for businesses that have scaled their operations in this space. Brookfield Renewables has been working in the industry since 1999 and has positioned itself well to capitalize on this sector's growth.

The company owns and operates a portfolio of high-quality and highly diversified renewable energy assets worldwide. It has 19,400MW of installed capacity, and the \$58.55 billion market capitalization company is the top stock in the green energy industry.

Brookfield renewable has already raised its dividends at a compound annual growth rate (CAGR) of 6% in the last two decades. It projects a 5-9% increase in its dividends in the coming years. The stock has surged 151% since its March 2020 bottom. Its robust balance sheet suggests that it can continue delivering phenomenal returns in the coming years.

Foolish takeaway

Warren Buffett's favourite indicator has been ringing alarm bells for a [market crash soon](#). Reliable long-term assets like Brookfield Renewables could position you well to make the most of the market crash as an opportunity to become a wealthier investor.

CATEGORY

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2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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