



Market Corrections: How to Stay the Course for Wealth Creation

Description

Investors may feel uneasy when there are market corrections and stock prices fall, especially if their holdings are under the water. They feel good when the market rallies and their stock prices rise.

Staying the course in stock investing is the key to long-term wealth creation. Here are some tips that can help you stay the course in investing.

Focus on buying wonderful businesses

Wonderful businesses become more valuable over time, which will drive the corresponding stocks higher in the long run.

For example, although **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) has had its ups and downs, the stock has been in a long-term upward trend, resulting in annualized returns of about 17% since 2008 on the **TSX**. About 2% of that annualized return is helped by favourable foreign exchange rates for Canadians from the start to the end of the period.

The cloud-based information management platform continues to deliver resilient results during the pandemic. In the last 12 months, its revenue increased by 12.5%, while its gross and EBITDA margins expanded marginally to 75.5% and 31.2%, respectively.

Open Text's stable results are primarily helped by annual recurring revenue that represents 80% of its total revenues. Consequently, the company generated record free cash flows of US\$1 billion in the last 12 months.

The goal is to buy [wonderful businesses like Open Text](#) when they're trading at good valuations. The tech stock dipped about 10% from its high to about US\$44.85 per share and trades at a nice discount from its 12-month average price target of US\$56.59, which represents 26% near-term upside potential.

Don't look at stock prices too much

Once you buy wonderful businesses like Open Text when they're fairly or attractively valued, don't look at stock prices too much. Stocks will go up and down and change by the second when the market is open. So, there's no point watching it do that because the Foolish way to invest is to strive for long-term wealth creation. We're not looking for quick gains.

Watching the stock prices might lead to emotionally-driven investment decisions that dampen long-term wealth creation. So, don't look at stock prices too much. Focus on the business fundamentals instead. You might review the businesses once a year.

If you have excess cash on the sidelines, set alerts on the stocks you're interested in adding to so that you will be notified when they reach your desired buy prices on market corrections for example. Alternatively, if you're determined to build a position in specific stocks, you can set limit orders directly at your desired buy prices.

Work on saving more

When it comes to investing, saving regularly is key. Other than focusing on buying wonderful businesses across different industries to keep your portfolio diversified, think of how you can save more. That could come from analyzing your monthly and annual spending to see which areas you could cut back on to further fuel your investment portfolio and long-term wealth creation.

The Foolish takeaway

[Market corrections](#) are good times to add to your best stock ideas. Focus on buying wonderful businesses across different industries and don't mind the short-term stock price volatility. Instead, work on saving more from spending less or earning more so that you will have dry powder to invest when it's a good time to do so.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)

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