



How to Make \$1 Million in the Next Bear Market

Description

The volatility of the markets can make even the most seasoned investor nervous. But if you're prepared, you can make the most of it. In fact, if you position yourself correctly, you can make a huge profit during the next bear market.

Want to make \$1 million if markets see a correction in 2021? Here's how.

Don't be scared to play it safe

It takes money to make money. The more money you have, the more money you can make. That's why you shouldn't be scared to play it safe every once in a while. Now, I'm not talking about pulling your money out of the market completely, but rather choosing strategic stocks that can weather a downturn.

Consider a stock like **Hydro One** ([TSX:H](#)). Due to its rate-regulated utility model, shares barely move during a plunge. That's because it has extreme cash flow visibility. Power demand doesn't change much when the economy shifts, and pricing is dictated by regulators years in advance.

The easiest way to make money is to not lose it. A penny saved is a penny earned. Stocks like Hydro One can make sure you survive the next market crash intact, with enough capital to take big bets on high-upside stocks like the ones below.

Buy these stocks if the market crashes

If you want to make as much money as possible, as fast as possible, you need to stick with software stocks.

"Software stocks have much less friction to growth," I recently [explained](#). "To acquire a customer, it just needs to send a download link. Software is often purchased on a subscription basis, so the company gets paid many times over for delivering the same product. Growth costs almost nothing, with customer

acquisition being near-instantaneous.”

The only problem is that everyone knows these stocks are amazing, pushing valuation multiples up to ridiculous levels. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which runs one of the largest e-commerce platforms, is [valued](#) at 54 times sales. Even **Constellation Software** ([TSX:CSU](#)), which owns one of the largest niche software portfolios on the planet, trades at seven times sales.

Of course, both of these stocks could have turned a few thousand dollars into \$1 million or more if you got into them early, but these days, shares are pricey enough to scare away most investors. This is where you can use a market crash to your advantage.

How to make \$1 million

High-upside software businesses nearly never go on sale. During a market-wide selloff, however, you could get a once-in-a-decade opportunity to cash in at bargain levels. The important thing is to have enough cash to take advantage. Investing in safe stocks like Hydro One ensures that you’re not wiped out along the way.

When valuation multiples collapse, be prepared with a dozen or more software stocks worth targeting. Shopify and Constellation Software are great starting points, but you don’t want to get caught flatfooted.

In fact, if you want to make as much money as possible, look for the *next* Shopify or Constellation Software. The biggest profits are always made in the early days of growth.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:H (Hydro One Limited)
4. TSX:SHOP (Shopify Inc.)

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