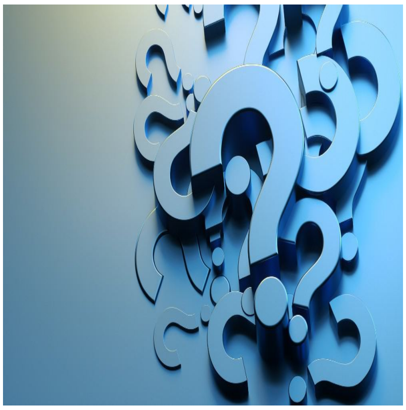

Should You Wait for a Market Downturn to Invest?

Description

If you're just entering the stock investing scene, you would have missed the pandemic market crash opportunity in early 2020. The Canadian stock market fell more than 30% from peak to trough. From the bottom, the market has appreciated more than 60%!

Should you wait for the next market downturn? Severe market crashes don't come very often — historically, they come about once every decade. Market corrections of 10-20% along the way are more likely to occur.

Never mind about missed opportunities. Stock investing is about the now and the future. If you have tonnes of cash on the sidelines, it makes sense to deploy a portion of that in quality businesses you see a bright future ahead of them without paying sky-high valuations for them.

Before you deploy any money into the stock market, visualize what you want your stock portfolio to look like. Surely, you would want your portfolio to achieve a certain income or returns goal. Once you figured out your portfolio goals, then, you can see which stocks could be fit for your purchase and holding.

What's your stock investing goal?

Are you looking for income, total returns, or a mix of both? If you seek income, I suggest you start looking in the bank, utility, and real estate stocks. Typically, you'll find safe yields of 3-5%.

You can't go wrong by starting your research in the leaders: **Royal Bank of Canada**, **Fortis**, **Brookfield Renewable Partners**, and **SmartCentres REIT**.

These stocks can deliver decent total returns anywhere from 6-12% a year in a multi-year investment depending on the valuation you pay and how the companies grow.

Although you might have heard of investors making huge gains in a short time, like doubling one's investment in a few months, that's usually not the norm.

After all, a stock is driven by the performance of its underlying business. Businesses often have multi-year or even longer-term plans on creating value for its stakeholders. Along the way, they'll probably run into bumps.

Investors need to give time for the businesses to grow. For instance, **Amazon** wasn't built in a year or two. It was founded in July 1994 and it took years to gain traction among the core investing community.

An early stock investment of $10,000 in 2001 would have grown 29% a year to $1.77 million! That would be an investment of 20 years. And the e-commerce company is still growing at a high rate today. Importantly, the stock appears to be a good value.

How much cash do you hold?

It's a good practice to always have some cash in your portfolio. This way you'll have dry powder when opportunity knocks. It's normal to have a cash position that's anywhere from 5-30% of your stock portfolio. How much cash you actually hold depends on if attractive investments are available and if the valuation of the market.

The Foolish takeaway

Should you wait for a market downturn to invest? The general rule of thumb is to stay invested in a diversified portfolio to benefit from the wealth creation that comes from the long-term growth of quality businesses. Ideally, you would want to have cash available to buy low or when there's extreme fear in the stock market.

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