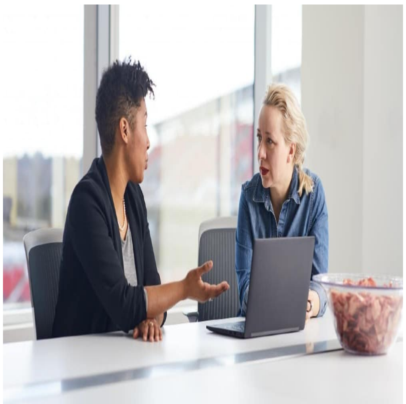

Don’t Wait for a Correction to Start Investing

Description

It’s not uncommon to hear people saying that they plan to “wait for the next correction” before they invest. Stocks are volatile, so you can almost always buy at lower prices at some point in the future than you can today. Indeed, most of the time, that’s true. But it doesn’t follow that you should wait for a correction before you start to invest. If you wait, you might find stocks reaching such prices that, even after they do fall, will be far more expensive than they are today. In this article, I’ll explore three reasons why you shouldn’t wait for a correction before you start investing.

Nobody knows when the next correction is going to hit

One of the biggest reasons you shouldn’t wait for a correction to start investing is because nobody can really tell you when it is going to come. Even the corrections that look the most “predictable” in hindsight weren’t so easy to spot at the time.

Take March 2020, for example. That month, Canadian stocks — as measured by the **iShares S&P/TSX 60 Index Fund** (TSX:XIU) — crashed by 33%. If you held $1,000 worth of XIU that month, you’d have seen your position fall all the way down to $670. Looking back at that crash today, it appears predictable. COVID-19 was just appearing in North America back then, and everybody knew that the lockdowns would hurt corporate profits.

But, in fact, we didn’t really have much information to go off of at the time. Most companies were still a month away from releasing their first-quarter earnings. Intuition may have told you that stocks would fall somewhat on *anticipated* earnings, but was there any information that could specifically tell you XIU would drop **33%**? Not really. Hindsight is always 20/20, and nobody knows when the next big crash is going to happen.

Bull markets can last a surprisingly long time

Another reason why you should never wait for a correction to start investing is because bull markets can last a surprisingly long time. Historically speaking, bull markets tend to last longer than bear markets. And sometimes, they can last a *ridiculously long time*. From February 2009 to March 2020, S&P 500 funds like the **Vanguard S&P 500 Index Fund** (TSX:VFV)(NYSE:VOO) rose about 350%. There were some small dips along the way, but no true bear markets.

It wasn't until the March market crash that we saw a dip greater than 20%. Even that dip only took VOO back to its 2016 prices. If you'd been waiting for a crash ever since 2009, you would never have seen a crash big enough to give you better entry points than you had that year. The lesson is clear: you never know how long a bull market will last. By the time it finally does come crashing down, the market might not fall below where it is now.

It's possible to do well buying the "top"

A final reason to avoid waiting for corrections is because you can actually do okay by "buying the top." By "the top" I mean the highest price for a 52-week period. Sure, if you bought VOO right at the 2007 top, you'd have suffered for a good few years. But you'd have started realizing positive gains by 2013 — earlier if you count dividends. You'd have done much better than someone sitting with $10,000 to invest in 2009, waiting for a 30% dip.

So, don't worry too much about when the next correction is going to occur. Over the long run, time in the markets beats timing the markets.

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