Market Downturn: 5 Tips to Make Massive Money

Description

After the market rally from the pandemic market crash, the stock market has become expensive compared to historical levels. Finally, investors could be waking up about the situation, as the market appears to be in pullback mode, though it's too soon to say a bear market is upon us.

But do not panic. Ultimately, the goal is to make money in the long run. It also helps to employ a strategy that's defensive to avoid losing money. Here's how you can stay calm and achieve your financial goals.

Follow your financial goals

You need to know what you're aiming for to achieve it. You should set financial goals that are achievable and measurable. If you're an income-focused investor, you can target to generate X dollars of dividend income every year. If you're a total-return investor, always base your investment decisions on achieving an X% rate of long-term return.

For example, if you're aiming to generate $10,000 of dividend income a year from your investments, start by earning, say, $100 a year. On a 4% yield, it would require an investment of $2,500. On a 7% yield, that would imply investing $1,429. Right now, you can get a yield of close to 7% from buying **Enbridge** stock.

If you're aiming for long-term returns of 10%, you can approximate that return from a mix of yield and growth. For instance, if you can grab **Fortis** stock at a 4% yield, and it's expected to grow about 6%, that projects returns of approximately 10%.

Don't react to the market actions. Instead, focus on quality stocks that can help you achieve your financial goals.

Focus on the long term

Since the market is expensive and a dip is happening, further downside is a high possibility in the near term. However, investors need to invest money to make money. That's where focusing on the long term comes in.

Ignore short-term stock price movements. The stock market is a guessing game in the short run, because news can quickly push stocks up or down. In the long run, stock prices follow their fundamentals. Stocks with underlying quality businesses that are making more money and/or paying higher dividends will head higher over time.

Hold dividend stocks

Consider holding at least a portion of your portfolio in dividend stocks that pay decent yields and tend to increase their dividend stocks over time. This type of dividend stock improves the overall stability of your portfolio in terms of stock price volatility and returns stability. A decent yield is one that is 3% or higher and is safe. Enbridge and Fortis stocks fall in this category of defensive dividend stocks.

Take advantage of market downturns

Market downturns are perfect opportunities to put more money in the stock market to make massive money in the long run. You don't want to put all your eggs in one basket. Spread your risk around. Look out for money-making opportunities across different sectors and industries, whether it'd be dividend- or growth-focused stocks. Generally speaking, you'll have a higher chance of making good money from companies that tend to grow their revenues and earnings/cash flow over time.

Be selective about what you're buying

Don't invest in everything or what others are recommending without doing your own research. You need to have high conviction in the underlying businesses to hold shares through extreme market volatility, such as bear markets.

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