



## Is 2022 Really the Worst Year to Be a New Investor? Possibly, But Here's Why You Should Invest Anyway

### Description

All in all, 2021 wasn't a bad year for investors. In fact, until June, we saw a nearly 15% surge in the TSX Composite Index. That's not bad, especially since most of Canada was still experiencing its third wave of COVID, and lockdowns persisted.

As we end 2021, however, we're experiencing something of a bear market. And, so far, 2022 isn't looking much better. Though the market could literally do anything over the next year — including a bull run — many factors are causing investors to worry, especially those who are just now buying their first investments.

Why are investors so pessimistic about 2022, and if you're a new investor, what should you do? Let's take a look at what's on the horizon.

### Inflation is still raging high

In the last 12 months, the word *inflation* has almost become as endemic as the coronavirus itself.

For the eighth month in a row, inflation has stayed above the Bank of Canada's 1-3% targeted rate. High inflation, fueled by short supply chains, has made cost-of-living expenses skyrocket. Everything from meat to cheese to gas is significantly more expensive, making it more difficult to budget out our everyday costs.

The Bank of Canada thinks it can bring inflation rates down in the middle of 2022. But that's still a big "maybe." If inflation rates continue at their historic highs, consumers will have far less spending power. And that *won't* reflect well in the market.

### The pandemic isn't officially over

We've come a long way since last year. But the pandemic isn't over just yet.

With Omicron upon us, and other variants on the horizon, the coronavirus is still finding ways to outsmart us. And with each new variant, the potential for lockdowns, restrictions, and supply shortages grows. And *that* could cause more hiccups in the market.

Now, of course, the market hasn't repeated the same dip we saw in 2020. But with the pandemic still very much in the foreground, investment portfolios could become undesirably volatile.

## Weather events

Whether you believe climate change is caused by humans, or whether it's a natural occurrence, it's hard to deny the fact that big storms are happening — bigger than most of us have ever seen.

Just take the wildfires on the west coast, for instance. Or the fact that on June 27, Canada broke an 84-year record for the hottest day ever recorded, with a temperature of 49.6 degrees Celsius. If these big weather events continue to plague Canada, it could certainly affect stocks. Considering that Canada's economy depends heavily on energy, I'd say this is certainly something new investors should be aware of.

## If a stock market crash is upon us, what should new investors do?

So, let's just say, hypothetically, that the market will crash in 2022. Your stocks will take a major hit, and you'll see your portfolio go into the red. As a new investor, what should you do right now?

Easy. *Invest.*

In fact, no matter what happens in the stock market, whether we go through a bear or a bull, I'd suggest new investors engage in dollar-cost averaging.

Dollar-cost averaging involves investing a consistent amount at regular intervals. For instance, you might invest \$500 of every paycheck in stocks or funds every month. That will allow you to save around \$6,000 per year.

When you invest in this way, two things happen. For one, you stop reacting to the market. You don't make emotional decisions based on which way the market swings. You invest consistently, whether the market is down or up.

Secondly, this habit will lead you to buy stocks when the prices are low, as they typically are during a bear market. When the market rebounds — it *always* rebounds — your portfolio will most likely gain value.

I know it can feel counterintuitive to invest during a bear market. But trust me — if 2022 is a bad year for stocks, it can still be a good year for new investors. Because, over time, those stocks you buy in 2022 can gain value. And, in 2032, or 2042, it might not matter what happened in 2022. At that point,

what will matter is your habit of investing money consistently.

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