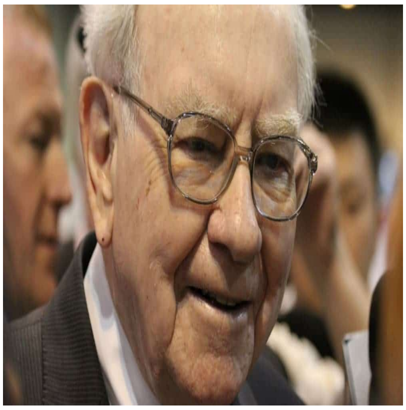

Hurt in the Stock Market? Here’s What Warren Buffett Says You Should Do

Description

If you’re sitting on heavy stock market losses right now, you’re not alone. Pretty much everyone is down this year. The world’s central banks are raising interest rates, and that’s lowering the value of assets. That’s a mathematical inevitability. The more return you can get risk-free, the lower the value of risky assets.

As long as the rate-hiking continues, there is some chance that stocks will continue to go down. For some, that’s a scary prospect. But it needn’t be. Warren Buffett has made many statements over the years about how to behave during market downturns. As you might expect, he believes in using drawdowns to accumulate shares. That much is obvious. However, he has much more to say on the subject — including how to handle your nerves during times like these.

Don’t pay attention to stock prices

Warren Buffett’s number one piece of advice to investors on handling market crashes is not to worry about stock prices. It’s counterintuitive, but it works. Warren Buffett has held **Berkshire Hathaway** stock since the 1960s. It has gone down 50% or more *three times* in the period Buffett has owned it. Not once has the Oracle of Omaha panic sold the company he bought all those years ago. He has shed some shares to donate to charity here and there, but he has never sold for economic reasons. Barring some exceptionally bad news, you should take the same attitude toward stocks you hold.

“But isn’t seeing your stock go up the whole point of investing?”

An obvious counter point to Buffett’s “ignore stock prices” philosophy is that everybody wants to see their shares go up in price. That’s how you make money in the markets, after all. Why wouldn’t you pay attention to the prices?

It all comes down to time periods. Yes, you ultimately do need your stocks to go up at some point prior to your retirement in order to realize a gain. But unless you're right on the verge of retirement today, your time period is probably many decades long. You can wait out market downturns that last five years, 10 years, or more.

Suncor Energy (TSX:SU)(NYSE:SU) stock is a perfect case in point. This stock had an absolutely terrible run from 2008 to 2020. It peaked at about $70 before the financial crisis and fell to $16.49 during the pandemic. That's a truly mind-boggling 76% decline. It must have hurt to for investors sitting on those losses. Yet if they'd been diligently averaging down by accumulating shares during the drawdown, they'd be watching SU rise and outperform the market today. Is 14 years a long time to wait for all this to play out? Maybe, but if you were only 20 at the beginning of the run, it's not an impossible amount of time to sit on a position for.

Foolish takeaway

For Warren Buffett, there is one investing rule that stands out above all others: *be patient.*

Anybody can buy a stock and sell it when it's down for a few months. It takes real character to buy and hold. If you do so, you will likely outperform the "traders" and short-term investors of the world.

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