

What We'd Do If the Market Crashes

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Stock Up

An investing newsletter from  **The Motley Fool**

Welcome to StockUp, the investing newsletter that plans to blow its stimulus check on frivolities like [checks notes] funding child college savings accounts. This week, learn four ways to prepare yourself for the possibility that the market might head south. Plus, five ways we think you can conquer your market fears, and five signs that you could afford to invest your stimulus check in stocks.

— Nathan Alderman, *StockUp* Editor

ZEN AND THE ART OF PORTFOLIO MAINTENANCE

Our 4 Suggestions if the Stock Market Plummets

We've said it before, and we'll say it again: Crashes happen. You can't predict or prevent them. But you *can* plan and practice to make sure you don't make them worse. Fool Ryan Downie has laid out four solid strategies to employ the next time stocks take a swan dive.

1. **Don't panic.** If the market plunges and your investments seem to be

bleeding out, we think the best, most counterintuitive thing you can do is “absolutely nothing.” (No word on whether you should also [bring a towel](#).)

2. **Look for opportunities elsewhere.** If stocks fall, what about your other assets? Bonds, real estate, and other forms of investments may be doing a lot better than the market.
3. **Get your holdings squared away.** Are your investments portioned out in sensible ways? Are you taking the right amount of risk relative to your potential reward? Market crashes could give you the leeway to reshuffle your stocks for maximum future prosperity.
4. **Your loss is ... also your gain?** Selling bona fide losers at the right time could help you offset the taxes you’d otherwise pay on future gains.

Learn more about these four intriguing ways to possibly make the most of a market meltdown when you [read the rest](#).

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JARGON DECODER

A Self-Eating, Self-Replenishing Pizza

They don't call it “Wall Street” for nothing; the big banks there build bigger barriers of baffling terminology to keep regular Fools like you intimidated, underconfident, and ready to fork over your cash to a broker. Each week, Jargon Decoder translates one of those worrisome words or phrases into plain English, helping you get a leg up on the Wall Street Wise.

This week's term: **buybacks**, also known as *share repurchases*. Companies use their own cash to buy up their own stock, taking those shares out of circulation and boosting the value of each of their remaining shares on the market.

By now, you're likely familiar with our well-honed “shares as pizza” metaphor. (Cowabunga, dudes.) Imagine that a company is a pizza. Each share of the company is a single slice of that pizza. The more shares a company has, the smaller each slice of the pizza becomes. With relatively few shares, each share represents a good-sized portion. As the share count rises, the pizza gets

carved up into ever-tinier slivers.

Now imagine a pizza that could eat its own slices -- yet somehow, when it did so, the overall pizza remained the same size, and each remaining slice got *larger* to fill in the gap. (Some [wonderful, magical](#) pizza.)

That's what buybacks do. The company's overall value doesn't change when it buys back its own shares. But when it takes some of those shares off the market, each remaining share gets entitled to a larger portion of that total value. Basically, companies hope that when they buy back their own shares, share prices will rise, making existing investors happier, and enticing more people who *don't* already own shares to buy in.

Share buybacks are just one way that companies can toss their bales of excess cash -- and doesn't *that* sound like a great problem to have? -- in shareholders' direction. Buybacks let businesses share the wealth without making a long-term commitment to pay a dividend (and thus dropping a larger tax burden on their shareholders).

Buybacks do the most good when a company snaps up its own shares at a price below their actual value -- say, if the market has freaked out and unfairly punished those shares. If a company's paying *more* for its shares than they're actually worth, it may be wasting its cash. And if it's buying back its own shares to cancel out all the new shares it's been cranking out to reward its own employees -- also known as *stock-based compensation* -- investors may want to take a closer look at whether that's the best way the company could use its money.

Help yourself to a slice of our Foolish know-how when you [learn more about share buybacks](#).

PAID ADVERTISEMENT (WE LIKE MONEY)

Giving "The Art of Investing" a Whole New Meaning

The other week, you might have heard that the art market went -- as they say in business school -- absolutely bonkers. Christie's cashed in on the mania, setting a new record of \$69.3 million for a JPEG, er, digital artwork. The takeaway? Art investing has hit the mainstream. But if you're anything like us,

putting your money in real, *tangible* art by blue chip artists could make a lot more sense.

For one thing, contemporary art prices have outperformed the S&P by 152% from 1995 to 2020, according to data from [Masterworks](#).^{*} They were the first platform to let you invest in paintings by the likes of Basquiat, Kaws, and Haring. But what about returns? They've got that, too: They recently sold their first painting, a Banksy work, for a cool 32% annualized return to investors.

With results like that, it's no wonder there are over 25,000 people on the waitlist. Just use our [special link](#), tell them we sent you, and you'll be good to go.

^{*}See important [information](#).

SOMETHING SOMETHING "FEAR ITSELF"

Our 5 Tips to Help Conquer Your Stock Market Fears

"Don't panic when the market crashes," we said above. But we realize that's easier said than done. We humans feel the pain of loss more acutely than the joy of gain, which can make investing pretty darn scary. Fool Catherine Brock has this advice for Fools fighting their financial fears.

1. **Invest money you can afford to lose.** It's never *fun* to lose money, but if you only wade into the stock market with money you won't need for five, 10, even 15 years, any losses you endure in the interim might prove less painful.
2. **Read up on history.** [Miss Shirley Bassey said it best](#). History tends to repeat itself, especially on Wall Street. Learning about what's come before can help prepare you to ride out whatever lies ahead.
3. **Ensmarten yourself.** Hit the books (or Fool.com!) to teach yourself more about strategies to reduce your investment risk. The more you know, the less scary things seem.
4. **Invest on autopilot.** Rather than trying to time the market, invest a set amount automatically every month, so that over time, the highs and lows will balance each other out.
5. **Plan for the worst.** Go in with a strategy for what you'll do if the market

freaks out. (Say, our item above might prove useful in that regard)...

Learn more ways to show your investing anxieties who's boss when you [read the rest](#).

ALEXA, WHAT'S THE CHILD POVERTY RATE IN THE U.S.?



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JOE DOUGH

Can You Afford to Invest Your Stimulus Check?

Oh, *hello* there, new stimulus check. We've been waiting for you and your \$1,400 of federally provided goodness. For many Americans, these payments and other stimulus provisions have been a vital lifeline during an economically brutal past year. But some of us have been lucky enough to not necessarily *need* Uncle Sam's excess largesse.

As Fool Robin Hartill, CFP, notes, lots of Americans have sunk their stimulus into the stock market. Generally, we applaud that -- investing unexpected windfalls might make a great way to [multiply your money](#). To figure out whether you can spare enough cash to do the same, consider these five crucial criteria.

1. **Are you carrying credit card debt?** Paying off high-interest debt can save you more money in the long run than you'd earn from even a wildly successful investment. If you're carrying a balance on your cards, do your wallet a favor and pay it down, pronto.
2. **Do you have an emergency fund?** If you haven't socked away at least six months' worth of living expenses to cover an unexpected job loss or other sudden calamity, take care of that first. You might thank yourself later.
3. **Are you expecting any big expenses?** Sometimes, you can see a hole

in your bank account coming. Are you planning a wedding? Got something in your home that's going to need fixing soon? Have a vital surgery marked on the calendar? Cover those first before you even *think* about your brokerage account.

4. **Will you need this money anytime in the next five years?** We Fools always invest for the long haul. If you can't afford to send your money on at least a five-year voyage without you, don't part with it.
5. **Are you expecting the same kind of returns the market saw last year?** Look, 2020 was a frankly *bonkers* year for stocks. You can't and shouldn't expect that kind of market performance in 2021. Set realistic expectations before you commit your cash.

Learn more about each of these sensible steps when you [read the rest](#).

A GOOD REASON TO STARE AT YOUR PHONE

FEATURED PODCAST



There's an App for That

Whether you're learning to budget, looking to geek out on your investment returns, or wondering if you're on track to retire early, there's an app, tool, or website for that. We're joined by a couple money nerds at The Motley Fool with their personal reviews of tools like Mint, Personal Capital, various retirement calculators, and more.

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THE BENEFITS OF SLOTHFULNESS

Social Media Post of the Week



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...

The three most powerful finance phrases:

"I don't know."

"I'm not going to do anything."

"This too will pass."

4:15 PM · Mar 15, 2021 · Hootsuite Inc.

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We work fervently, fastidiously, and Foolishly to make sure all the facts and figures we publish in our emails are 100% accurate and up to date. Special thanks to eagle-eyed editor Karen Lanza. Returns as of March 17, 2021.

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