



RULE

# Your Ultimate Stock Market Crash **Survival Guide**

Everything You Need to Know to Invest During a Market Crash

By: Phil Town, expert investor and Founder of Rule #1 Investing



# Major Signs of a Stock Market Crash



## ! Warning Sign No.1:

You earn more interest on short-term bonds than you can on long-term bonds, resulting in an inverted yield curve

## ! Warning Sign No.2:

Stocks are overvalued market-wide (they're priced much higher than they're actually worth!)

## ! Warning Sign No.3:

The GDPs of the world's biggest economies are decreasing continuously

## ! Warning Sign No.4:

Inflation. Prices for regular goods, such as food, gas, and housing are all rising

## ! Warning Sign No.5:

Bubbles in the market valuations—such as the tech or real estate industries—often occur due to herd behavior, where stock prices rapidly rise above their true value

**What signs are you  
seeing now???**



# No one says it better than Warren Buffett...



"Every decade or so, dark clouds will fill the economic skies, and they will briefly rain gold.

When downpours of that sort occur, it's imperative that we rush outdoors carrying washtubs, not teaspoons. And that we will do."

What is the downpour he's talking about that looks like dark clouds, but produces gold?

A Stock Market Crash.



# What is a stock market



A stock market crash is a rapid decline in stock prices across a wide section of the market—or even the entire market.

Stock market crashes can be long-lasting and lead to a recession or even a depression, but they can also be short-term dips or market corrections, which occur about once per year.

I'm here to tell you that stock market crashes and corrections aren't as scary as they seem. Really.

**A stock market  
crash can be a great  
opportunity....  
If you're ready for it.**

# The **Biggest** Stock Market Crashes in History

To prepare for a potential crash, let's first take a look at the past...



The worst stock market crash in history

## The Wall Street Crash of 1929

### What happened?

Investors were overly optimistic during a bull market, which led them to borrow money to invest in stocks.

When stocks started falling and investors tried to pull their money out, there was not enough cash in the banks, leading to a total market collapse that caused The Great Depression.

### What We've Learned:

CAUTION. You should never take on debt to invest in the stock market and never trust the strength of the market to continue.



# The Stock Market Crash of 1987

## What happened?

The market fell by more than 20% in a single day for reasons that are still mysterious, although economic growth was slowing and inflation was rising.

## What We've Learned:

The market is fickle, and sometimes crashes are almost impossible to predict. Also, the market can recover as quickly as it can crash.

The crash only lasted that one day as the market recovered almost immediately.



Think: Sudden  
trends like  
cryptocurrency!

# Dot-Com Bubble of 1999

## What happened?

In the late 90s, investors excited about investing in the “next big thing” threw their money into any company that had “.com” after it.

When large companies started selling tech stocks, panic ensued and the majority of new tech companies evaporated, costing investors \$5 trillion.

## What We’ve Learned:

Always evaluate the fundamentals of a company, rather than blindly investing in the next big thing.

# The Housing Market Crash of 2008

## What happened?

One of the more recent stock market crashes that left a lingering sting.

Financial institutions were taking on risky loans pre-2008 and required to keep less than 2% of deposited funds on hand, so when real estate prices began to drop and the federal funds rate began to rise, credit froze.

This resulted in a surplus of homeowners losing their homes and more than 5.5 million jobs were lost.

Unemployment rates rose to 10%

## What We've Learned:

The real estate market and the stock market are two entirely different markets, yet the collapse of one can quickly lead to the collapse of the other. It's important to keep an eye on all economic conditions.



The result? The Dow fell almost 34% over the course of 2008 and the market didn't fully recover until mid-2013.



The most severe  
crash, yet one of the  
shortest so far



# The Stock Market Crash of 2020

## What happened?

In late March of 2020, sudden panic and uncertainty drove to the 3 worst point drops in U.S. history, where the top stock markets fell over 30%.

The market crash was substantially caused by the unexpected global Coronavirus pandemic.

On top of that, we were also experiencing a massive stock market bubble after a 10-year bull market.

## What We've Learned:

While the pandemic may have been an unprecedented factor, everything else that occurred during the crash in 2020 was a reflection of previous crashes in history—a stock market bubble that burst.





# The Bottom Line is...

The market is cyclical.

As you can see, we typically experience a crash every decade or so.



# So, Can We Predict a Stock Market Crash?

No, no one can predict a stock market crash.

Even though we have warning signs and historical crashes to look at, we won't know when the next crash will happen. And while we can't pinpoint exactly when the next crash will be, we can be ready for it.

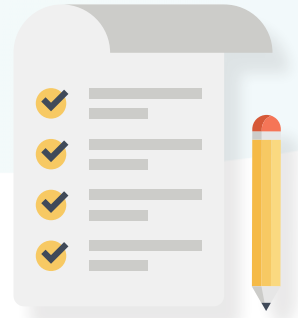
## So, How Can I Prepare for the Next Crash?

Learn the Rule #1 Investing strategy.

Unlike fund managers who face outside pressure or most people who run scared when stock prices drop, Rule #1 investors have the agility and resources to come out on top during a crash.



# My Checklist to Prepare for the Next Market Crash



## Dos

- ☐ Learn from past crashes and be cautious
- ☐ Learn how to pick wonderful companies
- ☐ Learn about the market as a whole—track all economic conditions, not just those related to your investments.

## Don'ts

- ☐ Invest too optimistically
- ☐ Invest just to invest or follow a trend—it's critical to know what you're investing in and why!
- ☐ Invest in companies with debt, bad management, or a weak moat (Don't worry, I'll show you how to spot these)



# How To Pick **Recession-Proof** Companies

## Understand Price vs. Value

In Warren Buffett's words, "Price is what you pay, value is what you get."

In order to find the true value of a company, you need to be able to calculate how much a company is worth, and what price can guarantee a BIG return.

**Tip:** You will probably only find a wonderful company at the price you want during a market crash, which is why it can be a great opportunity IF you know what you want to buy!

[Learn How to Invest in Recession-Proof Companies](#)

## Know the 4 M's

It's important to evaluate all areas of a company, so if and when the market crashes, you'll have a bullet-proof portfolio filled with companies that can withstand anything.

I developed the "4 Ms" as a checklist to help identify whether or not a company upholds the power to survive a market crash.

The 4Ms = Meaning, Management, Moat, and Margin of Safety.

When you understand these, you can make smart investment decisions. Determine a company's margin of safety and other important evaluations to help find companies that will survive a crash.

[Try My Investment Calculators](#)

## Research. Research. Research.

Find a few companies that you are passionate about (that check off the 4 Ms) and analyze the ins and outs of each business, its industry, and how it is affected by other industries. When you know what you need to know, you will be ready to buy and able to get a great deal when the market crashes.

**Tip:** If you do thorough research, when a crash occurs, you'll understand how it could affect the companies on your watchlist and the industries they are in, so you can know whether or not they can survive it.

Learn all about price vs value, the 4 Ms, and how to research and analyze the companies you want to invest in by attending my FREE webinar.

[Sign Up Here](#)

**Do you want to be prepared for the next market crash?**

**Do you want to find the best businesses to invest in?**

**Do you want to build a portfolio that has the potential to yield 15%... or more?**

If the answer is yes, I highly encourage you to learn the Rule #1 Investing strategy by attending my free webinar.

This strategy works whether we're headed for a market crash, on the other side of a market crash, or in the middle of it.

Wherever we are in the cycle, I can confidently say that another stock market crash will come.

Don't wait to learn how to take advantage of the opportunity when it does.

[Register for the Webinar Today](#)





# About Phil ● ● ● ● ●

Phil Town is an expert investor, 3x New York Times Best Selling Author, and founder of Rule #1 Investing, the largest value investing training company in the world. Phil is notable for selling his stock holdings in August 2007, right before the market peaked and the epic 2008 crash began to unfold.

Phil Town's Rule #1 strategy was ranked **#1 highest return** in the US in 2014 at 56.4% and the **#2 highest return** in 2019 at 62.6% by the American Association for Individual Investors.

For more than 15 years Phil has been teaching students how to invest with low-risk, high-yield strategies pioneered by Warren Buffett and Charlie Munger at his [3-day Transformational Investing Workshops](#). These workshops have been hosted for students in the U.S.A., Canada, Singapore and many other countries, as well as online during the COVID-19 pandemic. Town has spoken to over 2 million people and been on stage with Presidents Ford, Carter, Clinton, and Bush as well as many other notable names including Prime Ministers Margaret Thatcher and Benjamin Netanyahu and General Secretary Mikail Gorbachev.

Phil and his daughter, Danielle Town, co-host the podcast, [InvestED](#), one of US News and World Report's "Top Nine Financial Podcasts", where listeners gain insights on investing as Phil teaches the secrets of Warren Buffett style investing. Phil Town has been featured on CNBC, FOX, MSNBC, Forbes, New York Times, and more and runs a successful [YouTube channel](#) with over 300,000 subscribers.

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