RETIREMENT INVESTING

SURVIVING MARKET VOLATILITY DURING COVID-19 VIRUS UNCERTAINTY

During this time, it may be comforting to remember that you are not alone. Everyone is wondering what the future holds for the Coronavirus (COVID-19). Everyone has the same fears and anxiety that you may be feeling right now.

When it comes to your investments, all you can really control is how you react. Sticking to sound, fundamental investing principles and staying the course will help you make it through. Here are some sensible and practical tips for surviving market volatility in the face of what may seem like an extraordinary crisis.

Avoid Hitting the Panic Button. It's tempting (and very normal) to think about getting out of the stock market. Especially when the S&P 500 suffered one of its worst declines in history on March 16. But selling solely based on a big decline in the market over a very short time period may be the worst thing you can do.

It's understandable if you're struggling to keep fear in check. However, over time the stock market has continued to rise despite economic woes, terrorism, the burst of the housing bubble, and countless other blows. Investors should always try to separate emotion from investment decision-making. What seems like a massive global catastrophe one day may become a distant memory in a few years. After all, when was the last time you thought about the Great Recession of 2007-2009? Exactly!

Keep a Long-term Perspective. For many people, their retirement account is their largest investment asset. It's likely the one you're most concerned about right now. But remember that retirement investing has a long-term goal which may not begin for two or three decades and could last just as long. You'll have time to ride out this current market downturn.

Maintain a Diversified Portfolio. Having your investment portfolio spread among stocks, bonds, cash, and cash assets is the core principle of diversification. Doing so lowers your risk because historically not all parts of the market move in the same direction at the same time. Losses in one category (like stocks) may be mitigated by gains in another (like bonds or cash).[1]

Consider This a Great Buying Opportunity. Warren Buffett often views bear markets as great opportunities because the valuations of good companies get lowered due to circumstances beyond their control. That's why it's important to keep contributing to your retirement account on a regular and consistent basis.

Keep Dollar Cost Averaging. The principle of dollar cost averaging simply means you commit to investing the same amount on a regular basis, like with your retirement plan. When the price of shares in an investment drops (like now) you're buying more shares. When the price goes up, you'll be buying fewer shares. Over the long term, this can help lower your average cost per share.[2]

Be Real About Your Risk Tolerance. When you started saving for retirement, you may have taken a quiz to help gauge your comfort level regarding risk and made investment choices accordingly. You probably never thought your choices would be tested like they are now. If you are literally not able to sleep at night due to market volatility, that's probably a sign that you need to consider a larger allocation to more conservative investments. However, make sure you consider the next and final tip before you do anything!

Think, Reflect, Sleep on it…and Consider Talking to a Financial Professional. If you do make changes to your investments, do so in a thoughtful way after careful consideration. Talk to friends and family, they're in the same situation. Read articles from a trusted financial news source. And if you haven't already, consider talking with a financial professional to get their perspective and guidance.

[1] There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

[2] Dollar cost averaging involves continuous investment in securities regardless of fluctuation in price levels of such securities. An investor should consider their ability to continue purchasing through fluctuating price levels. Such a plan does not assure a profit and does not protect against loss in declining markets.

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