Financial Wellness
& Education

Weathering market conditions

Today's forecast

There is never a dull moment in the world of investing. And most investors would agree that keeping pace with the increasingly volatile nature of today's markets can be difficult. In recent years, we have witnessed both ups and downs in the stock market. In fact, steep declines and sharp increases can sometimes occur within the same day, often triggering nervous reactions from investors. But don't let short-term market fluctuations shift the focus away from your long-term goals. If your portfolio is well suited to your goals and personal risk tolerance, there generally is no need to take any action in the face of market turbulence.

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Running with the Bulls

A "bull market" is a period characterized by investor confidence. During a bull market, securities prices rise or are expected to rise. We experienced a strong bull market in the 1990s, when the U.S. and many other foreign financial markets grew at their fastest pace ever. However, it's best not to get caught up in the irrational exuberance of a bull market. Markets move in cycles, and the next "bear" could be around the corner as many investors learned back in 2000 when the dot-com bubble burst and in 2008-2009 during the "Great Recession."

Bear markets

A bear market is Wall Street terminology for an extended period of falling share prices. Exactly how long the period and how steep the fall are open to debate. But the most common barometer for a bear market is a decline of 20 percent or more in a relevant market index over at least two months. This may give potential investors pause, but it's important to remember that downturns are a natural part of the market cycle. As professional money managers caution, trying to predict the next bear or bull market is almost always a futile effort. Every prudent investor should realize that a long-running bull market will eventually have to take a rest, and that the next bear market may be right around the bend. Although the prospect of a bear market may provoke fear, proper planning and realistic expectations can help you tame your emotions and stick with your plan.

Bull and bear essentials

Whether you're dealing with a raging bull or a grizzly bear, incorporating the following time-tested strategies can help smooth out the ups and downs of the market.

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Focus on the future

Short-term investment results are known for their volatility. That's why it is critical to keep your investment eye toward the future. And, although past performance cannot guarantee future results, it is helpful to look at historical averages to gain a better perspective on the long-term. In addition, the long-term impact of compounding can have a profound effect on your investments.

Stay the course

Although it may be hard to ignore the chatter of market predictions frequently put forth by the financial media, it is often better to not dwell on what they are saying. If you have established a well thought out, long-term financial strategy based on your means, needs, goals and risk tolerance, it usually makes sense to stick with it. If your personal situation has changed (for example, if you've recently had a child or are nearing retirement), or if your asset allocation is "out of balance" due to a run-up or decline in a certain asset class, then it may be wise to speak with your financial professional about adjusting your strategy. Fluctuations in the market are unavoidable and no one can reliably predict them. So don't let market noise cloud your perspective.

Keep your balance

Diversifying your portfolio across asset classes may help you to be in the right place at the right time—or buffer the consequences of being in the wrong place at any time. By spreading your investments across various asset classes—such as stocks, bonds and money market funds—you can "smooth out" some of the volatility that's inherent in investing. This may increase the likelihood that you'll stay the course during periods of market turbulence, and thus reap the benefits that often go to long-term investors. Going forward, you should work with your Representative to periodically evaluate your goals and review your allocations. Asset Allocation does not ensure a profit or guarantee against a loss.

Stick with the program

If you're investing a specific dollar amount into a mutual fund at regular intervals through an automatic investment plan, it makes good sense to stick with it. Through systematic investing, you buy more shares when the price is low and fewer when the price is high, which over the long haul reduces the average price that you pay for your fund shares. In a sense, you're putting the market's volatility to work for you. It's important to remember that this strategy—"dollar cost averaging"—neither assures a profit nor protects against loss in declining markets. Since this strategy depends upon continuous investment regardless of fluctuating price levels, you should consider your ability to continue making investments through periods of low price levels.

Be realistic

No matter what happens on a particular day in the stock market, there's no reason to panic. It's more prudent to maintain realistic expectations and to anticipate returns that are closer to the historical norm.

Benefit from our experience

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- Create retirement income strategies
- Protect the ones you love
- Plan your legacy

Together, we can help you achieve financial and family well-being—now and tomorrow, this generation and the next.

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