5 STRATEGIES *THAT WILL KEEP YOU CALM DURING* VOLATILE MARKETS

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"I don't know what's going to happen next."

How is that for an unsettling statement from a financial advisor? It is true for me and for every other advisor out there, even if we don't love to admit it. What does the election mean for the markets or better yet, the national debt, the vaccine, potential tax changes, or the interest rate policy of the Fed? Nobody knows for sure how any of these factors will move the markets.

So, what is an investor to do?

Let me start with some math...

1. Since 1926, the S&P 500, a measure of 500 leading U.S. companies had positive returns 73% of the time.

2. In rolling 5 years periods since 1926, the S&P 500 is positive 87% of the time.

3. In rolling 15-year periods since 1926, the S&P 500 is positive 100% of the time.

What does this mean for investors? Unexpected world events which have sudden, material impacts on the financial markets are nothing new. While the scale of down markets often feels enormous, stock market expansions historically have been longer and larger compared to contractions, highlighting the importance of staying invested through market cycles. Investors who attempt to time the market run the risk of missing periods of exceptional returns. In the end, while we can't predict the future, we certainly can plan for it.

So how do we put this knowledge into action? The key is to control what you can control. **Here are 5 strategies that will keep you calm during volatile markets:**

1. Use Safer Asset Classes for liquidity needs during down markets – Most of our retired clients like to keep 5 to 10 times whatever their desired income is in cash and bonds. This means when the market heads south, they can spend from safer assets and wait for the market to recover.

2. Resist the temptation to time the market – Market timing can turn prudent investing into a form of gambling. If investors have a 5 year or longer time frame, history has been very kind to investors that were patient. They won 87% of the time. I like those odds.

3. Get diversified – The data above refers just to the S&P 500. If your stock portfolio includes other asset classes, it can further reduce your volatility. This reduction in volatility can smooth out portfolio returns over time.

4. Rebalance – This is simply the practice of rebalancing your portfolio to its original allocation. This simple discipline ensures the portfolio won't get too risky in good times and allows the ability to be opportunistic in downtimes. This will also lower your volatility.

5. Think long term – It is hard to know what the stock market may do on any given day or any given month or quarter for that matter, but great investors think in terms of decades not days. This discipline allows them to look past short-term events.

Diversification is about investing in a way that will work in many different scenarios. The right advisor may not know what will happen next week, but they do know the right strategies to help keep your plan on track long term. ❖

We hope this brief article simplifies a very complex subject for many of us If you'd like more resources on how to invest well and more importantly live well, please visit us at LiveWell.com.

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