Investing Do's and Don'ts During Market Volatility

OPTIVEST WEALTH MANAGEMENT

Stock market turbulence can keep you up at night. It can be difficult to stay calm while the market is taking your portfolio on a roller coaster ride. But remember: market downturns may be upsetting, but history shows that volatility is normal. Here are seven do's and don'ts in an up and down market.

1) Do: Focus on your financial plan. Make sure you have a long-term financial plan that focuses on holistic planning. A holistic plan focuses on your ideal life and goals and takes into account your Family Index, which is the pre-determined rate of return needed for you to achieve your identified long-term financial success.

2) Don't: Overreact and Lock in a Loss. One of the worst things you can do is sell during a market dip. Too many people make the mistake of buying high and selling low. Selling when your portfolio is down will lock in your loss instead of giving your investments time to recover. Market sell-offs are often followed by rebounds!

3) Do: Understand and Define Your Risk Tolerance. Your risk tolerance can change over time, and if current market volatility is making you weak in the knees, it might be time to reassess your tolerance for risk. Your individual situation, including your age, how close you are to retirement, your long-term goals, and how you are invested are a few factors to consider as you evaluate your tolerance and make portfolio adjustments.

4) Don't: Get Emotional Over Your Portfolio. Fear of loss is a normal reaction during market volatility, but don't panic and let your emotions push you into making hasty decisions. It is important to remember that market corrections and downturns are normal and healthy.

5) Do: Review Your Portfolio with a Financial Advisor. One of the reasons you have a financial plan is so that you can weather market ups and downs, so take this opportunity to meet with your financial advisor and get a portfolio check-up. Now is a good time to discuss your risk tolerance and re-evaluate your overall asset allocation. A good financial advisor will be able to guide you along a path that minimizes your risk and maximizes your upside.

6) Don't: Try to Time the Market. Here is an important phrase to remember: time in the market is what matters, not timing. Far more people have lost money than made money trying to time the market. Instead, stick to your long-term plan and set yourself up for long-term success.

7) Do: Diversify. Diversification is one of the most important components of investing that helps you reach long-term financial goals while minimizing your risk. Though diversification does not guarantee against loss, it does maximize return by investing in different areas that each would react differently to the same event. At Optivest, we use a four-sector diversification strategy (equities, fixed income, real assets, alternative investments) rather than the standard two-sector (60/40 equities and fixed income split).

Optivest, Inc. provides true wealth management with extensive expertise in complex financial issues. Our holistic and integrated approach includes advanced planning for tax efficiency, wealth transfer, wealth protection, and philanthropy.