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Keep Calm, Stay Invested

Expect volatility, but avoid letting the headlines alter your plans.

Recent headlines have added volatility to the markets. There will always be new headlines, and any of them could mean turbulence for Wall Street.

As an investor and retirement saver, how much will this turmoil matter to you in the long run? We believe not as much as you may expect. There are many good reasons to remain in the market rather than attempting to intuit or guess when and where big shifts in fortune may arrive.

What is market timing? Michael Tanney, one of the directors at Magnus Financial Group, puts it plainly: “Market timing doesn't work […] Every bear market has historically given way to a bull market […] No one can predict the timing of these moments.” Market timing is the use of predictive tools and techniques to predict how the market may move and make investments accordingly.[1,2]

When you work with your trusted financial professional and cultivate a financial strategy, your need to factor in market timing diminishes. You also don’t need to sit still if you have concerns. Instead, you have a strategy that is based on your goals, risk aversion, and time horizon. This balanced approach means that you won’t need to make hurried decisions when volatility arises.

There may well be a situation in which you may need to adjust your strategy, but it’s also possible that snap judgements might cause you to undercut yourself. The market reacts to headlines, but it’s just as common that quick dips might see fast relief.

Remember that many investors come to regret emotional decisions. The average recovery time for bear markets (meaning a downward swing of 20% or more), where equities return to bull market levels? About 3.2 years (measuring each recovery since 1900). For that reason, investing with the longer term in mind, with periodic and carefully considered rebalancing (alongside your trusted financial professional), may allow you to better weather headline-induced peaks and valleys.[3]

Breaking news should not dissuade you from pursuing your long-term objectives. The stock market is always dynamic. Episodes of upward and downward volatility come and go. A wise investor acknowledges that downturns are expected and has patience when they do. Decisions made during market turbulence can backfire. While some of these ups and downs may be significant enough to signal a change in your asset allocation, they need not change the fundamentals of your investment policy.

Citations.

1 - money.usnews.com/investing/stock-market-news/articles/2019-05-10/how-investors-can-mark-the-markets-seasons [5/10/18]
2 - investopedia.com/terms/m/markettiming.asp [4/10/19]
3 - marketwatch.com/story/why-retirees-shouldnt-fear-a-bear-market-2019-01-16 [1/29/19]