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Investing Smart During Uncertain Times

Tags: investment planning [1]

Warren Buffett has a classic rule when it comes to market volatility:

“Be fearful when others are greedy and greedy when others are fearful”.

Investor anxiety normally tends to rise in step with market volatility because most people are concerned about trying to pick the best time to buy or sell. For instance, making investment decisions would be infinitely easier if there was complete certainty about when markets were headed for a bear market or a correction.

Because so many different factors simultaneously influence market performance, unpredictability is inevitable. Although interest rates are expected to rise in the future, they will very likely remain at historic lows for the foreseeable future making interest-bearing investments less attractive than other options. **Traditionally, equity investments have out-performed fixed income investments over the long term** , so there is a strong case for allocating investment assets into equity investments when creating a well-balanced investment funds portfolio.

Investment funds consist of companies with long histories of paying regular dividends are often a good choice for a retirement portfolio, as these types of investments have tended to perform better during all types of economic conditions. Furthermore, an investment strategy would be incomplete without proper exposure to countries beyond North America. A portfolio can also be further diversified with exposure to fixed income investments such as high-quality bonds funds.

In times of market volatility and fear-inducing news headlines investors are sometimes left wondering, “What are my best options?” History has shown that “staying the course” during time of temporary volatility has always been the best option for investors with well-diversified portfolios and long term time horizons. On that same token, periods of market volatility have often provided excellent opportunities for buying quality investments at discounted prices.

Another key risk management strategy for long-term investors is to ensure that a portfolio is properly aligned with one's own risk tolerance. If a present day portfolio allocation does not line up properly with an investor’s risk profile then it can lead to hasty decisions that can ultimately turn paper losses into real losses. In addition, market downturns can also be the right time to consider tax-loss selling to offset capital gains from other investments.

So in times of elevated market volatility the most important thing to do is to **NOT watch market news too intently** as that usually leads to heightened anxiety and financial decisions that are far too often regretted later. The best course of action is to always seek advice from your financial advisor before making any decisions about your long-term investment strategy. Lastly, remember to take time to enjoy life everyday with your family and friends.

Do you have questions about your financial strategies?

Contact our office today ! [2]

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