5 Tips for Investors to Weather the Volatile Stock Market

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As the U.S. equity market gets set to conclude its worst October performance since the financial crisis, it's natural for people to wonder if their investments are well positioned. This is a typical reaction when prices swing sharply – such as the Dow rising and falling hundreds of points, often in the same day.

My view, however, is that after setting records in late September, the recent market pullback is normal, and should not be a cause for concern. I am optimistic about the future and the future for stocks, but I also recognize that stock returns don't go up every day, month or year. Corrections and even bear markets are normal for the stock market.

For investors who are accumulating money for retirement, view stock price declines as an opportunity to buy stocks at lower prices. For those who are not in the accumulation phase, it's a good time to review your current investments and adjust your portfolio to fit your tolerance for risk. We don't know how the market will react to a variety of upcoming events - possible new Federal Reserve rate hikes, the ongoing battle over tariffs and the upcoming mid-term elections – so we continue to have a diversified portfolio govern our clients' investment strategies.

Investors – regardless of their risk tolerance – should focus on their long-term goals. Here are five recommendations that can help guide you to make the right investment decisions to meet your needs:

- For starters, don't panic. Making drastic changes to your investment portfolio like moving most or all of your investment accounts into cash, may feel like the safe decision now, but such emotionally driven decisions are almost never a good idea. It's important to have a long-term investment plan that you can stick with through the inevitable ups and downs of the market. Otherwise you'll be subject to the whims of your emotions which often leads to buying stocks near market peaks and selling near market bottoms.
- Investors who are extremely anxious about the recent pullback in stock prices should consider re-aligning their portfolios by reducing the percentage of stocks. People with a lower tolerance for risk will sleep easier and be better prepared if the stock market decline continues and turns into a bear market, which is defined as a decline of 20 percent or more in stock prices, if they lower their allocation to stocks now. Adjusting your stock to bond ratio by 10% or 20% is much smarter than going "all in" or "all out" of any asset class. If a portion of your portfolio is not in stocks or investments that can grow like stocks, in order to have enough money to retire, a person will likely need to save more money or work longer.
- As a result of the recent pullback, stock prices are back to levels reached late last year. However, if stocks were to fall significantly further, they effectively go on sale. Just as it

is important to rebalance your account during a bull market to keep your stocks and bonds on target, have a plan in place to rebalance your portfolio if further stock declines occur.
- For people working, set aside more money into a 401(k) or business retirement account before the end of the year. Those under age 50 can contribute up to $18,500 this year to their 401(k) while those over 50 can contribute up to $24,500. Regardless of whether stock prices are up or down, it's wise to maximum fund your 401(k) each year you're working. What you save can have a much greater impact on your ability to meet your retirement goals than the returns in your portfolio. Saving more puts you more in control of your financial future.
- The stock market will periodically experience wide swings, but don't allow the daily ups and downs to deter plans to invest for the long haul. Continue to make periodic investments that will pay off down the road. Always remember it's "time in the market" not "timing the market" that leads to successful investing outcomes.

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