BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Survival Strategies for Volatile Markets

There's one sure thing about investing: However the markets are performing today, sooner or later, they'll do the opposite. Market volatility is something you can count on. So positioning your portfolio to withstand the ups and downs should be an essential part of your investing strategy.

While you can't prevent market fluctuations, you can take steps to help minimize their effect on your portfolio's returns.

Tough it Out

A thoughtful investment strategy begins with identifying specific long-term goals. Having clear objectives and a long investing time horizon can help you hold your ground during market uncertainty and make it easier to remain calm when investment values are falling. Unless an investment has consistently underperformed its benchmark, resist the urge to sell when prices are low. If your risk tolerance or goals haven't changed, sticking with the investment strategy you originally chose is usually a good plan for weathering market fluctuations.

Ration Your Dollars

You can help protect your portfolio from market volatility by spreading your investment dollars among investments in different asset classes, industries, economic sectors and areas of the world. Diversifying your portfolio may help cushion it against major losses, since each investment may perform differently under various market conditions. So while some investments may lose ground, others may compensate by posting gains.

Reassess Your Risk Tolerance

There's nothing like a drop in your portfolio's value to test your true ability to withstand risk. If you can't look the other way when investment values are falling, you may want to review your risk tolerance and adjust your strategy accordingly. Historically, the markets have always recovered their losses eventually, so curb any impulse to sell in a panic. Instead, make sure your portfolio includes investments with the potential for earning higher long-term returns while still falling within your risk comfort zone.

Diversification cannot eliminate the risk of investment losses. Past performance won't guarantee future results. An investment in stocks or mutual funds can result in a loss of principal.

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