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## **Volatile times: What can you do to weather the storm?**

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Surviving in volatile times. The current financial crisis has taken its toll on most Americans - those accumulating for retirement, those nearing retirement, as well as those already retired. Stock and bond market volatility has cut down the value of most 401(k) and Individual Retirement Accounts (IRAs). As a result of the subprime mortgage crisis, almost all Americans have less equity in their homes. Declining interest rates have reduced current income from certificates of deposit (CDs) and other investments that retirees rely upon to cover monthly expenses. And costs for basic necessities, such as food, have increased. What can you do to weather the storm?

**Keep an appropriate perspective**

It may be easier said than done, but don't lose patience, panic and sell when things look bleakest. You will surely be selling closer to the bottom than the top - probably not to your advantage. Although you may have seen or heard this before, in these critical times it bears repeating: History shows that investing over longer periods of time actually reduces the risk of loss. In fact, despite 23 losing years since 1926, there has never been a 15-year period when the stock market lost value. (1) If history provides any lessons, this illustrates the importance of maintaining a long-term perspective. Of course, past performance is no guarantee of future results.

**Stick to your strategy**

Work closely with your financial professional. Together, revisit your investment portfolio to be sure it is still allocated based on your investment time horizon, risk tolerance and personal situation. A sound strategy may help you tune out the noise so you can act rationally and not make emotion-based decisions. Remember, you are an investor - if your strategy is sound, stick with it even if everyone around you seems to be abandoning theirs.

**Save early and often**

Most of us have less in retirement assets today than we did only a few months ago. And life is getting more expensive - costs are increasing for basic necessities. Yet there is only one sure way to meet your financial goals and that is to save more. If you're years away from retirement, you may be able to bridge a retirement income gap with just a few minor changes. However, if retirement is just around the corner, you may need to change your spending and savings habits drastically. Start by preparing a budget to see where your money is going. Look at every expense as if under a microscope. Find ways to save more.

**Divide your money**

When it comes to investing, the importance of asset allocation cannot be overstated. Over time, asset allocation - the process of dividing your money among the basic investment classes such as stocks, bonds and money market funds or certificates of deposit (CDs) - may affect your portfolio more than stock selection, market timing or other factors. Remember that asset allocation does not ensure a profit and does not protect against loss.

## Thriving in volatility

If you are a long-term investor, volatility may potentially give you the chance to capture certain investments at attractive prices. It may encourage you to work more closely with your financial professional who can help guide you during volatile markets, working with you to factor in your time horizon and risk tolerance.

(1) Source: 2008 Ibbotson Stocks, Bonds, Bills, and Inflation Classic Yearbook, pp. 36-37 and pp. 294-299.

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