BerryDunn Wealth Management

Market Volatility and Your Investing Strategy: Should You Stay the Course?
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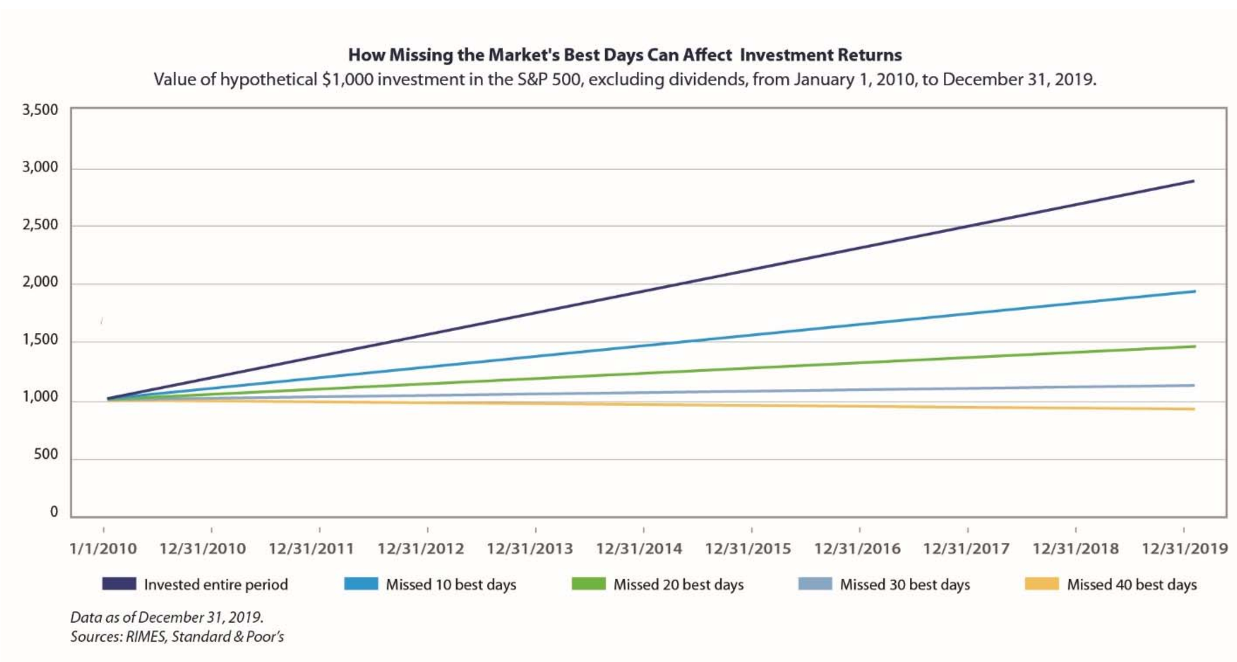
It has been a very difficult couple of weeks in the financial markets. Stock markets worldwide have dropped sharply on the spread of the coronavirus pandemic. Worse, the shutdowns of large parts of the economy as a risk control measure may lead to further declines. With your portfolios down, and with the headlines screaming more risk, what should you do as an investor?

Maintaining Perspective
It depends. If you need the money in the short term, that would be one decision. If you are investing for the long term, however, staying the course may make more sense. In general, the biggest risk investors face over time is overreacting to events and market volatility, which can negatively impact their savings.

Consider the following chart, which shows how the value of a hypothetical portfolio could be affected by being out of the market at the wrong time. As you can see, the decision to stay invested may be the best choice.



Managing Your Portfolio
A long-term perspective and diversified portfolio remain the best ways to take advantage of investment opportunities and hedge against risks, but staying the course can be challenging when you have to filter out so much short-term noise. To ensure that your portfolio is positioned to benefit from future market upswings, keep these tips in mind:

- **Resist the urge to sell.** Even though your portfolio may have lost some value over the past few weeks, it pays to stick to your plan. Allowing emotions to drive your decisions could mean missing out on potential gains when the market stabilizes.
- **Don't try to time the market.** When you stray from your well-thought-out plan to chase higher returns, your portfolio performance may get worse, not better. We know that past performance does not guarantee future results and that, historically, when it comes to the various asset classes, there is no discernable pattern of winners and losers. Because there is no way to predict next month's or next year's winners, you have a better chance of doing well by holding a wide range of investments and maintaining a long-term focus.
- **Keep contributing to your portfolio.** Although you may feel uneasy looking at your account balance right now, this is not the time to stop contributing to your retirement or other portfolio. In the case of retirement savings accounts, doing so could mean leaving valuable employer-matching contributions on the table. And, if you reduce your contribution rate, you also reduce your ability to benefit from the magic of compound interest.

Investing Is a Journey

In your journey toward retirement, you have likely already run into many obstacles. Markets were down almost 20 percent in late 2018, for example, and the declines of 2008 and 2000 may be burned into your memory. If you kept going through those challenging times, however, you likely found that you moved closer to your goals.

The same will likely be the case this time. While fear and uncertainty surrounding the coronavirus have caused global markets to decline precipitously in recent weeks, at some point the fear will subside and markets will recover—just as they have done in the past. At that point, the recovery may well be swift—and you will want to be there.

It's understandable to be anxious about how recent market fluctuations will affect your savings goals. We're happy to review your portfolio and ensure that your assets remain well diversified and aligned with your long-term investment strategy.

Past performance is not indicative of future results. Diversification does not assure a profit or protect against loss in declining markets. All indices are unmanaged, and investors cannot invest directly into an index. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks.

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