#FPC: Tips For A Volatile Market

These last couple of weeks have been crazy in the markets, last week we saw steady declines and this week we?re yo-yoing from one of the best days in the market to date to one of the worst. **It seems like the sky is falling, it always does when we get into one of these environments, but fret not we?ve been here before. The question is what will you do different this time around?** Since you?re here you?re probably already doing something different in reading the Real Investment Advice Newsletter, maybe you?re a client or a RIA Pro subscriber. Those resources will help you navigate these choppy waters.

Here are a few additional tips.

- ***Understand that it?s ok to take profits and pay taxes.***
- ***Have a discipline to your investing approach.***

Wall Street promotes an ?it?s always a good time to buy? philosophy, but rarely does it give advice on when to reduce risk or increase it. For Wall Street it?s always about you? well, you staying invested. Have an exit strategy or a strategy to take profits, reduce risk and eliminate areas you no longer need to invest in. **Markets change and so should your investments. Set it and forget it is not good enough.**

- ***Buy and hold is dead.***

Portfolios should be monitored and changes should be made when needed. Not only when you visit or call your advisor. Buy, hold, monitor and sell. Buy and hold is for vampires who live forever, your life is finite. Getting back to even shouldn?t be a long term strategy.

- ***Diversification is all but dead.***

Wall Street will claim diversification is all you need, but we all know the type of diversification Wall Street refers to is all but dead. Markets are to intertwined in 2020, global supply chains, money flows, coordinated central bank interventions and the speed of information.

- ***Speed of information is a loud, but silent killer to portfolios.***

Years ago someone may be shot across the globe and we?d never hear about it or if we did by the time we received the information it was old news, outdated or like the game of telephone you may have played as a child: widely inaccurate. Now we get information in minutes if not seconds.

- ***Everyone is an expert.***

Have a Twitter account and an opinion or following and you are automatically an expert. There are many platforms out there for people to express their views, be careful what you consume. Facebook, Twitter or any other site may be a vacuum for your thoughts or may be a sales pitch in hiding. When I hear or see information I always want to know someone?s motive.

It?s ok to have a motive or promote your business. We promote ours daily by telling people what we do inside our business, how we invest and things you should be doing inside of your own financial plan.

Just remember, most of those so-called expert were in grade school during our last market down turn.

Nothing against being young, we were all there. But more and more advisors or experts have never been through a bear market. Many of these new investing platforms haven?t been around long enough to experience one either. A bear market or a recession does more than impact your investments it can take a part of your soul. It changes people, I?ve heard many older advisors who?ve been around the block that they may not make it through another bad market. The emotional toll and stress is real. If you?ve never experienced a bad market it?s difficult to guide people through it. All the more reason you must guard against elation and have a process surrounding your investments, your actions and your emotions.

- ***Watch for the wolf in sheep?s clothing.***

Fear sells. Period. We get lots of calls from readers, our daily radio show or podcast and our television interviews. A big question I get from prospects or in the form of a general question is do you guys sell annuities? Typically the reason why is they were told something bad about one, preyed on by an insurance salesman or have had a bad experience with one. I?m telling you this because just this last week I?ve had more calls asking about annuities with guarantees. Fixed annuities, fixed indexed annuities or any other that will guarantee 7%.

The reasoning for these calls is that fear sells. When markets are as volatile as they currently are we make some of our worst mistakes and the annuity sales force knows this. I?m not saying annuities are bad, just don?t get sold one and live to regret it. We believe that annuities should be planned for not sold.

- ***Understand your financial plan.***

Many have financial plans that use only the rosiest of data. Don?t be afraid to stress your plan, use low performance numbers, bad market returns, give yourself a raise annually-stress your plan! I?m not saying that any of those events above will happen, but what if they did? We want you to be prepared. Our job is to educate you on how all of your financial world combines to help you meet your goals and provide you with the best results and the retirement you hoped for your family.

- ***Keep your cool.***

This is difficult to do when you see your life?s savings eroding quickly. Markets are very reflexive when they are at extreme deviations and markets moving as quick as they have over these last couple of weeks can be a scary event. You will come out on the other side. The markets don?t just go up and no one has taken a recession out of the business cycle. It will be ok, if you work with a good advisor they have a plan, an exit strategy, maybe they?ve already reduced your equity exposure, they?ve accounted for this in your financial plan. It doesn?t feel good. Investing is difficult because we let our emotions get in the way.

- ***Just because we CAN do something doesn?t mean we should. We?re often our own worst enemy.***

Our brains and gimmicky marketing often get in our way. Have you ever seen the E Trade commercial where they tell you all about your high school buddy that trades on E Trade from his yacht or the Vanguard ad with the guy next to his personal plane? When the markets go up investing can be fairly easy, but what about when markets begin to drop? Dalbar did a study in 2019 that shows since 1988 the stock market?s average return has been 10% per year, but stock fund investors have earned only 4.1% annually. Why the big difference? Fear. Human nature is for us to get into something when it?s high and get out when it?s bad. We buy high and sell low even when we know the number one rule of investing is buy low and sell high. I need a degree in Psychology just as much as I do in Finance. We study Behavioral Finance to limit the biases, help with self control and help make rational decisions.

- ***Communicate***

Reach out to your advisor, we have sent numerous emails, videos, hold investor summits and one on one phone calls or meetings to discuss the overall impact and to reinforce the plan and strategy. This is when good advisors earn their keep.

If you have questions, concerns or want to know more about how to implement these strategies for your family please don?t hesitate to reach out. We?d love to help.