INVESTING FOR THE LONG HAUL

Financial market ups and downs are challenging, to say the least, for many investors. Saving for retirement makes you a long-term investor, but it is important that you shape your investment strategy by revisiting a few fundamental investment concepts every 6 to 18 months, regardless of market conditions.

Revisit Your Risk Tolerance

What level of investment risk is suitable for you? Are you still an aggressive investor, or has your personal situation changed since the last time you evaluated your risk tolerance? Are you still a long-term investor, or are you getting close to retirement and therefore need to be more conservative? If your needs have not changed and you still are investing for the long term, this may not be the time to change your investment mix.

Don't Chase Returns

How many people do you know that bought into the “hot stock” they read about, without evaluating the risk involved? This is a risky strategy, as such stocks may be overvalued and end up losing money instead of making it.

Diversify

Every asset class (investment category) has its ups and downs. If your portfolio is well diversified, you will be in good position to benefit when an asset class excels—as opposed to chasing returns after the fact. For example, when growth stock funds were excelling, value funds were not; when stock funds declined, bond funds did well. Over the course of time, a well-diversified portfolio can provide increased performance while decreasing risk. In addition, diversification is a disciplined approach to investing, rather than relying on emotions or impulse.

Keep Investing Through Payroll Deduction

When the market is down, you are buying more shares or units for your dollars. Investors should actually feel good about buying in when the market is low; ideally, when you reach retirement, those shares will be worth more.

Invest for the Long Haul

Remember your long-term goals and invest for the long haul, rather than for short-term market swings. Statistics show that staying the course, rather than switching in and out of funds, is typically the wiser choice. Often, investors make the mistake of selling when the market is declining, and buying back when it is going back up. This is the opposite of what they should be doing to maximize returns.

What About Current Events?

The uncertainty surrounding current events poses significant challenges for investors. One thing we do know: the stock market hates uncertainty. Thus, having diversification of investments is key! A mix of investments—cash, bonds, stocks—will help minimize the risk of a large loss.

Though a large event may cause a serious market reaction in the short-term, often the market balances out after the event has passed. The secret to weathering all types of market swings is to resist the temptation to panic or overreact. Stay disciplined, keep a long-term approach and maintain a diversified portfolio balanced appropriately for your particular risk tolerance. These basics of long-term investing can be your blueprint for not just surviving, but succeeding in the market.