On The Mark

ASSETMARK

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3 Tips to Stay Calm During Market Volatility

Key Takeaways

- Market sell-offs are **painful but sadly normal**.
- Investors are often tempted to sell out of stocks to avoid market downturns, but it is **difficult to correctly time when to sell and buy** consistently.
- During periods of market volatility, **focus on controlling what is within your control**: your investment decisions, financial planning, and emotional responses.

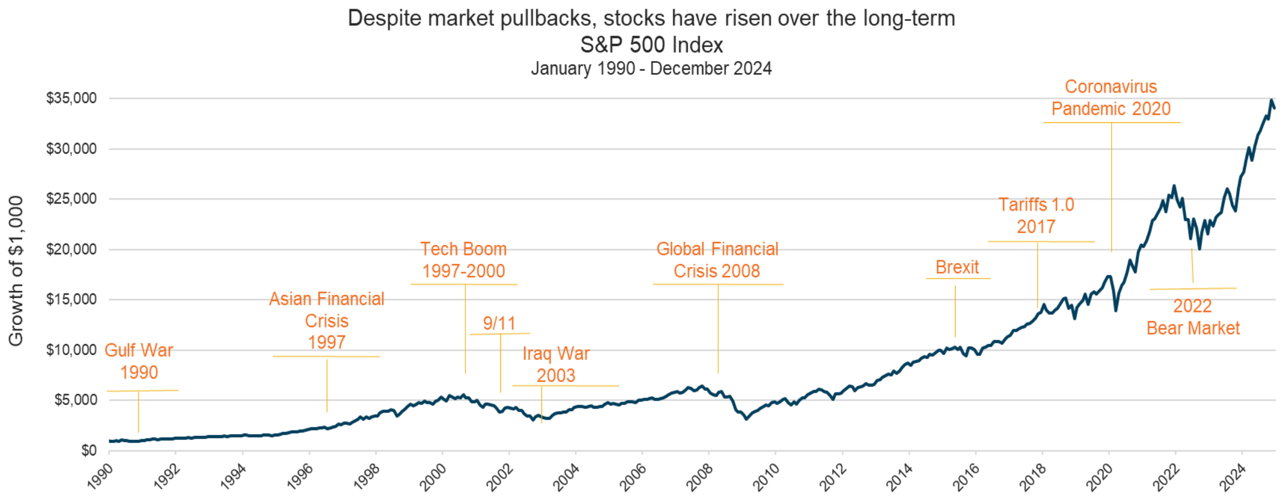
Stock market volatility is a feature, not a bug. It is never fun to see markets fall, but as an investor, you can expect market declines throughout your investing career. Nonetheless, it is hard to sit still when stocks are falling, leaving investors wondering: "Shouldn't I be doing something?"

Here are three tips to stay calm during a market downturn.

1. Keep perspective. Market sell-offs are painful but sadly normal. History shows stocks have recovered and delivered long-term gains. Since 1928, on average, the S&P 500 has experienced three 5% corrections per year, a 10% decline once a year, a 15% decline every two years, and a 20% or more decline (i.e., a significant bear market) every three years.

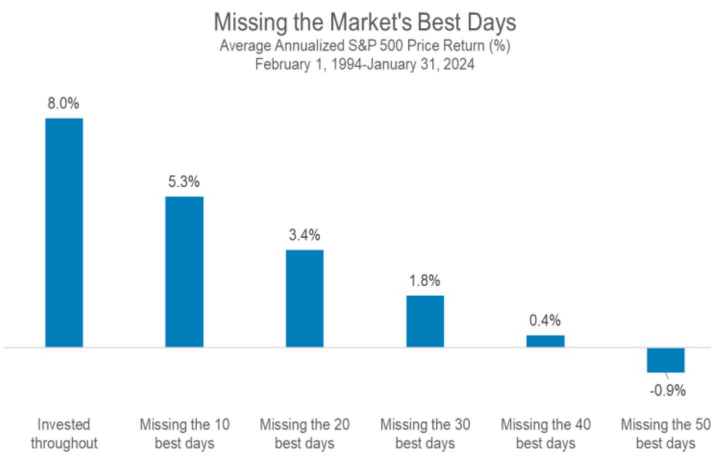
The reasons for market declines have varied from geopolitical risk, political uncertainty, recession worries, inflation concerns, etc. Yet, investors who have focused on the long term have seen an average annual return of 10.6% since 1990, and 74% of those years ended with positive returns. There is a saying that stock markets climb a wall of worries, and sadly, there is no shortage of things to worry about today.

2. Focus on time in the markets rather than trying to time them. Since market pullbacks are frequent, avoiding them could potentially improve investment results.



Source: FactSet

However, attempts to avoid pullbacks more often lead to missing out on significant advances. One reason is that market volatility is often clustered. Big moves in the market, both up and down, occur within days of each other, making it difficult to avoid only the bad. Staying the course may require extra Pepto Bismol, but in the end, it may be healthier for your portfolio.



Source: Bloomberg

3. Control what you can control. Market volatility is impossible to control, but that does not mean doing nothing. Investors can partner with their financial advisors to revisit their financial goals and evaluate their portfolio mix, cash flow needs, and risk tolerance. They can also consider adding defensive assets like cash or high-quality bonds to stabilize their portfolios.

In times of uncertainty, partnering with your financial advisor to develop a sound plan can help investors maintain composure and make informed choices.

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