Market Volatility

Focus on what you can control.

There are many factors that can create market volatility, including news headlines. Even social media messaging by influential people can create market swings. You can't control volatility, but you can prepare for it by creating a plan and taking steps that are within your control – like completing a risk tolerance questionnaire to be sure your investments align with your goals, values, timelines, and comfort level with risk.

HOW MSA HELPS

Partner with your personal Money Coach and do the following:

- Start and build emergency savings
- Look at cash flow and make adjustments
- Review your goals and timelines
- Create an action plan

GET STARTED

Your Money Coach can help you gain financial peace of mind.

- adobe.mysecureadvantage.com
- 888-724-2326 | Monday-Friday, 6AM – 5PM PST

What is a market correction?

A "correction" is generally described as a market decline of 10% or greater. Most economists define a "bear market" as a market decline of 20% or more. If market prices begin to slide, sometimes a correction turns into a bear market, which can last weeks, months, or even years as we consider historical returns.

What History Has Taught Us About Market Volatility

Although they can feel scary, market corrections are normal. If you consider the long-term upward trend of the stock market over decades versus other types of investments, you'll see that there is often a recovery within a few years of a severe market correction. No one knows exactly how long it will take or if values will return to pre-correction levels. Even the best analysts, who try to predict the peak or the bottom of the market, never know whether their predictions were correct until time has passed. Some market corrections are more significant than others, but the important concept to remember is that financial markets go through cycles.

Market Volatility – Focus on Factors You Can Control

Assess Your Risks – Leverage Resources & Rebalance If It Makes Sense

Complete a risk tolerance questionnaire, understand your individual financial stress triggers, and make non-emotional decisions or adjustments if necessary. Many employers have a risk tolerance resource available to you through their employer-sponsored retirement plan, so check with your employer or log in to your retirement plan account to see what's available. Rebalancing might make sense if it supports your overall goals. Once you have a plan in place, it is much easier to avoid the urge to panic about daily market fluctuations and stay focused on your long-term goals.

Build & Sustain Emergency Savings

Having emergency savings provides financial peace of mind. Create a target for emergency savings of at least 3-6 months' worth of living expenses. Sometimes you have to start small and build slowly, but once you get to your target number, be sure to sustain the balance, even if you have to use the funds for an unexpected cost like replacing an appliance or a car repair. When the financial markets are up one day and down the next, get ready to feel your financial confidence improve as you grow your emergency savings.

Dollar-Cost Averaging

If there's an investment that fits with your goals and risk tolerance, it might make sense for you to start a monthly contribution or increase what you are already doing. Dollar-cost averaging is consistently contributing to your investments regardless of market prices. This means that you're buying when prices are low and when prices are high, rather than trying to buy on "the right day". An example of dollar-cost averaging is a consistent contribution to a 401(k) or retirement plan, which means that you will buy not only when share prices are low, but you will consistently purchase shares, some at a higher price. Over time, the share price will likely average out. This "set it and forget it" approach generally allows you to have less stress than trying to pick the right time to get in or out of the market.

Tax Planning in Buy/Sell Decisions

When the market is down, it might make sense to sell an asset at a lower price than you purchased it. Considering this tactic can make sense if it provides a loss that results in a reduction in your tax liability. Working with a tax expert and an investment advisor can help you to determine whether this might benefit you.

Roth Conversion Pros & Cons, & Tax Planning

If you have a pre-tax account and your account value is down, it might make sense to complete a Roth conversion to take advantage of paying taxes on a lower balance versus when the market is high. If you have been thinking about converting pre-tax money to a Roth account, talk with a tax expert about Roth conversions to understand the pros and cons. You will want to consider your current tax rates, estimate your future tax rates and consider whether completing a Roth conversion would bump you into a higher tax bracket. Working with a tax expert can help you determine whether a partial or full conversion may make sense.

Talk to a Money Coach Today

Now more than ever, it's important to prioritize financial well-being and understand how to protect your finances during market swings. Whether you have a specific need that you'd like to discuss or are simply looking for unbiased education, schedule a time to talk to a Money Coach today. Although they do not provide specific investment advice, they can help you understand how to put together a plan, reduce financial stress, and get additional resources.