5 ways to be smart when the markets go down

WELLINGTON FINANCIAL

Executive summary

We all wish the stock market would move only one way….up. Unfortunately, history has shown us that every bull market is followed by an equally aggressive bear market. Sometimes the market falls hard and fast, but that doesn't have to mean catastrophe. Being smart when times are tough can be just as lucrative as being smart when the going is good. After all, the smartest investors don't fear a downturn, they take advantage of it by making sure they are in a good place when it corrects itself.

What you need to know

1. Don't Panic

   Nobody likes losing money. The thought of losing all of your hard-earned savings is unavoidably stressful, but the worst thing you can do when the markets go down is panic. Fear can drive you to make irrational choices that could end up costing you big time.

2. Consult with History

   Historically, upturns in the markets have always lasted longer than downturns in the market. According to Morningstar's market experts, the average bull market lasts 97 months, while the average bear market only lasts 18 months. Fluctuations are a normal part of the investment world and shouldn't be a cause for concern. As long as you are patient and stick to your plan, there is plenty of time to recover and reach new heights after a loss.

3. Do Nothing

   If you have a strong portfolio that is filled with solid investments, the best option is to leave it alone and let it correct itself.

4. Ignore the Noise

   The media loves to depict a "doom and gloom" atmosphere when there is a downturn in the market and it can sometimes be hard to ignore. Just remind yourself that many media outlets are trying to get views and that means they need to create drama. Instead of falling into the trap of unreliable sources, do some research of your own using credible sources so you get a clear picture of what is truly happening.

5. Talk to Your Advisor

   If you can't shake the feeling of panic, don't hesitate to call your financial advisor. Ask them to take some time and go over your investment strategy with you. Having a refresher of what you are invested in and why you chose those investments of part of your strategy will put your mind at ease. Your advisor will also be able to identify if there is a need to rebalance your portfolio to ride out the storm, and they may even be able to show you some new investment opportunities that a bull market can bring about.

The bottom line

Market fluctuations are a totally normal and expected part of investing. The trick is to stay calm and trust that you and your advisor have put together a plan that will thrive in the long term, regardless of any short-term losses.

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