https://www.unionleader.com/news/business/money_sense/money-ense-market-turbulence/article_1954d303-c3da-5d3a-9949-012d9b66c7f6.html

'Money $ense': Market turbulence

By Marc Hebert
Sep 11, 2021

MOST STOCK MARKET investors are looking for the same result: strong and steady gains for their investments. Dealing with a period of sustained falling stock prices is not easy. Experiencing periods of ups and downs is not easy either. In fact, even periods of continually rising stock values present their own issues.

Many investors are comfortable to hold on to assets when the market keeps on its upward path. However, it may be time to think about selling some of these upward movers, especially if the values are far from their allocation targets. It might be time to sell and take some of the profits off the table.

On the flip side, all too often, investors react to a sharp drop in prices by panic selling or digging in their heels. But more thoughtful investors see a correction or a downturn as an opportunity to review the risks in their portfolios and make adjustments where necessary.

When confronted with any market event — whether it is a one-day blip, a more lengthy market correction, or a prolonged bear market — take time to review your portfolio. Dealing with volatility can be difficult. Here are some suggestions to help you and your portfolio survive market turbulence.

Have a well thought out investment plan. A plan will help you through various market conditions and, if it is truly well thought out, it will be easier to stick with the plan during market drops and highs. Review your risk tolerance and allocation. See if your plan properly reflects them.

Don't let fear lead you to impulsive behaviors. Emotional reactions can be dangerous when it comes to your investments. For reassurance, consider how markets have reacted in the past to lows and highs. While past performance is no guarantee of future results, if you pull up a historical performance chart of the S&P 500 Index, you can see a visual representation of the market over time.

Keep a long-term perspective. The only certainty about the stock market is this: It will experience ups and downs. That is why it is important to keep emotions in check and stay focused on your financial goals. A buy-and-hold strategy – making an investment and then holding on to it despite short-term market moves – can help.

The opposite of buy and hold investing is market timing, which involves buying and selling investments based on what you think the market will do next. Market timing, as most investment professionals will tell you, is risky. If your predictions are wrong, you could invest when the market is on its way down or sell when it is on its way up. In other words, you risk locking in a loss or missing the market's best days.

Remember to diversify your assets. If you have a large percentage of your portfolio in one investment, a bad day for that particular investment could sink your portfolio by a significant percentage. A diversified group of investments will help cushion market volatility. This includes diversification within asset classes, across asset classes, and across time.

Look for buying opportunities. A market decline may bring with it the opportunity to buy great long-term investments. Do your research carefully and you may find some market gems.

Talk with a professional. A financial professional can help you separate emotionally driven decisions from those based on your goals, time horizon and risk tolerance. Researchers into the field of behavioral finance have found that emotions often lead investors to read too much into recent events, even though those events may not reflect long-term realities.

With the aid of a financial professional, you can sort through these distinctions, and you'll likely find that if your investment strategy made sense before the crisis, it will still make sense afterward.

Marc A. Hebert, MS, CFP, is a senior member and president of the wealth management and financial planning firm The Harbor Group of Bedford. Email questions to Marc at **mhebert@harborgroup.com**. Your question and his response might appear in a future column.