How to Handle Your Investments and Realize Opportunities Amidst Market Volatility

For even the most experienced investor, extended periods of market volatility can be unnerving. This is especially true in 2022, with the S&P kicking the year off with its worst month since the beginning of the pandemic, as reported by CBS News. Combined with historically high inflation, recent geopolitical instability, and the threat of rising interest rates, many are questioning their current financial strategy and whether they are positioned for growth looking ahead.

Remember: A degree of market volatility is to be expected—there's no need to panic. However, for investors nearing retirement or simply looking to strengthen their portfolios, there are several strategies that can be leveraged to minimize losses and potentially realize opportunities.

What To Know About Volatility

It's not uncommon for the market to frequently encounter periods of heightened volatility. Forbes has explained that, as an investor, you should plan on seeing volatility of about 15% from average returns during a given year. Additionally, about one in every five years, you should expect the market to go down about 30%.

The day-to-day fluctuation we are currently seeing in the market has very little impact on the long-term accumulation of your investments. However, for anyone who is within a decade of retiring or has simply reached their maximum risk allocation, there are some tactics you can use to ride out this volatility with added confidence.

Managing Volatility in Your Own Portfolio

Volatility is unavoidable, however, what you can avoid is taking on too much risk. By proactively building a portfolio that can withstand unexpected fluctuations, you can rest assured your investments are safe even during market downturns.
As you work to minimize your own losses, consider using the following tactics:

Diversify

The recent sell-off of stocks in the tech world serves as an important reminder about the importance of diversification, as reported by CNBC. When too many of your investments are tied up in similar assets, you may take on more risk than you're comfortable with while also minimizing your potential gains.

Over time, strive to spread your investments across a variety of securities so when one class goes down, another in your portfolio can help offset the loss. For example, instead of putting your money in individual stocks where the risk is concentrated in a single company, consider investing in a large number of companies through pooled investments like mutual funds.

Take Advantage of the Bucket Strategy

One recommendation from MarketWatch is to utilize the bucket strategy. This approach divides investments into three different holding areas, or "buckets"—immediate, intermediate and long-term.

The first bucket covers cash you need now, with the aim of having enough to handle expenses for about two years. This can be done in a high-yield savings account or a money market account. Rather than earning high returns, the immediate bucket keeps money safe and accessible.

The goal of the intermediate bucket is to plan for the next 10 years. Here, you may choose to invest in a low-to-moderate risk category like bods, real estate or the stock of your choice. The third category, the long-term bucket, seeks to stay ahead of inflation by making use of aggressive investments with the most growth potential. Although risk is still present, this strategy can provide an immediate safety net and give you peace of mind during market fluctuations.

Step Away From Your Accounts

It's important to keep an eye on your investments and to balance them throughout the year. However, you shouldn't feel the need to check your retirement account on a daily basis. During periods of fluctuation, this can result in unnecessary stress and may lead to potentially harmful decisions. Instead, make a plan of when you'll check your accounts and stick to it, whether that means on a weekly or monthly basis.

Looking Ahead in the Market

Deciding which of these tactics will make the most sense will depend on your unique financial strategy, the degree of risk you can tolerate and whether you are nearing retirement. However, no matter what your financial goals look like, the best thing to do during this time is to avoid panic selling.

As you look toward the future and work to minimize your own losses, you should consider working with a certified financial professional to determine the best course of action for your own long-term goals.

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ABOUT STEVE DECESARE

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One of Philadelphia's leading retirement transition specialist, Steve DeCesare, CFP®, is a second-generation financial planner who has spent the last decade of his career helping professionals transition into retirement with financial confidence.

His multi-disciplinary planning approach works to ensure that the investment, income, tax and estate strategies are in place to achieve each of his client's financial and lifestyle goals for retirement. Steve specializes in offering guidance to corporate employees regarding their company sponsored retirement plans such as 401(k)s and pensions. He also advises on rollovers to and investment decisions within Individual Retirement Accounts (IRAs). Additionally, he helps employees who are facing workplace transition with the critical decisions and financial plan adjustments that need to be made to help ensure a smooth progression of their financial life as they enter into their next job or retirement.

Steve is a CERTIFIED FINANCIAL PLANNER™ professional and Investment Advisor Representative of DeCesare Retirement Specialists a Registered Investment Advisor. He is also life and health insurance licensed in the states of New Jersey and Pennsylvania. Steve is a member of the Financial Planning Association (FPA) and a recipient of the 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 Five Star Wealth Manager Award. As a financial resource, Steve has been quoted in numerous media outlets including *USA Today*, *Money*, *The Washington Post, The Wall Street Journal* and *Bankrate.com*.

We invite you to call DeCesare Retirement Specialists at 856.235.3830 to schedule a no-obligation, complimentary consultation to explore options for your current financial and retirement plan.