What to Do If You're Worried About Stock Market Volatility

A volatile stock market is fine for the 20- and 30-somethings. It's a different matter for people approaching retirement.

Your retirement nest egg should be a source of security and comfort to you. It shouldn't be something that makes your blood pressure spike. If recent volatility is worrying to you, it may be time to take some action.

The roller-coaster ups and downs in the stock market year are a timely reminder of how volatility will always rear its head.

Assess your risk tolerance

Start by gauging your risk tolerance. We can help you with the analysis and design a portfolio that matches your ability to withstand market swings.

Resist the urge to panic-sell

Most people are terrible at timing the market. The annual DALBAR "Quantitative Analysis of Investor Behavior" report shows that without the benefit of a financial advisor, the average investor underperforms the market significantly, consistently and over long periods of time.

For the 20-year period ending in June 2023, the S&P 500's annualized return was 9.75% (assuming dividends are reinvested). Adjusted for inflation, the 20-year average stock market return (including dividends) is 7.034%.

Comparatively the average stock mutual fund investor achieved a real-world return of just 4.8%.

Why? Because fear and greed lead investors to buy and sell at the wrong times. Make an appointment with us before doing any major selling.

Identify losing positions

Did you make a bad investment, or perhaps several of them? You may be able to deduct an unlimited amount of these losses against capital gains when you sell winners. If you have more losses than gains, you can deduct up to $3,000 of those leftover losses against income.

If you still have more losses, you can roll them over to a future year and deduct up to $3,000 per year of them against income until they're all used up, in a strategy called "tax loss harvesting." We can help you carry out this strategy and reduce your taxes.

Roll back your risk exposure

Once you know your risk tolerance and have identified losing positions, if any, that you can sell as part of a tax-loss harvesting strategy, then it's time to trim your sails, dialing down the risk exposure in your portfolio.

- Sell some stocks high — so you can buy other things low.
- Reduce your stock and stock fund exposure relative to bonds and bond funds.
- Pay off or reduce personal debt as much as possible.
- Diversify into different asset classes, including real estate and real estate investment trust funds, precious metals, life insurance and annuities.

Guarantee a minimum income for life

You may be able to guarantee a base level of income for life. This is a good strategy if you are in retirement or nearing it.

The easiest way to do this is through a lifetime income annuity. This is simply a contract with an insurance company to pay a certain amount each year or each month, no matter what happens in the market.

At the end of the process, you should have a sound retirement portfolio that is likely to provide at least a basic income for as long as you live.

Call us today and we can help you reduce your stress and build a more secure financial future for you and your family.

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