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Navigating investment volatility during a crisis

While investors strive to focus on their long-term goals, this can be very emotionally challenging during periods of higher-than-normal market volatility, such as we've been experiencing in recent weeks.

The COVID-19 virus has had an unprecedented impact on society. The downturn in global financial markets, severe impact on business, employee job layoffs, and personal health concerns have resulted in fear, uncertainty and financial challenges. During this climate, investors may be tempted to make emotional decisions that do not align with (and may harm) their long-term investment strategy.

Avoid emotion-based investment decisions which can harm you in the long term

Stock markets have always fluctuated, and occasional big market declines are an expected part of normal market cycles. While it can be frightening to see the value of your investments drop, the key is to have a long-term strategy in place that allows for these drops, and then to stick with that strategy. Selling an investment that is down in value and moving that money to cash will realize any losses, and prevent future recovery.

Often, investors feel they need to do something to take control of their hard-earned savings. This provides a false sense of "at least I tried everything." However, in most cases, the best course of action is to change nothing. It is too late to prevent losses, so we must remain positioned for recovery. Some tips to remember:

- **No one knows for sure what the markets will do in the short term or when they will recover.** Investors may be tempted to try timing the market, selling their investment when they think it has reached its peak, and waiting to buy in at a low point. This is an impossible game. By staying invested, you will be participating in the market when recovery occurs.

- **When you contribute on a regular basis to market-based funds, you're using market volatility to your advantage.** When markets are doing well, you purchase fewer units of your funds because the unit pricing is higher. However, when markets decline, you receive *more* units of your funds for the same dollar amount. This lowers your average cost per unit, and allows you to immediately make a profit from units bought at the bottom of the market. Once the market rebounds, you have the potential to realize greater returns because you've got more units growing in value.

For investors nearing retirement

Investors who are fully invested in market-based funds, and are planning to retire within five years, may wish to direct future contributions to a Guaranteed Interest Account, Money Market fund, or low-risk bond fund. This will build a portion of their portfolio that is safe from big market fluctuations, and provide a safe option for retirement income throughout all parts of a market cycle.

To review your investment strategy and retirement goals, please contact the Reuter Benefits team of licensed advisors at 1-800-666-0142 or by email at retire@reuterbenefits.com.

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