Handling Market Volatility – Video Transcript

The stock market goes up… and down. Sometimes within a short period of time.

When markets are volatile, sticking to a long-term investing strategy can be a challenge. But there are ways to help keep market turbulence from distracting you from your goals.

First, have a game plan. Second, check your asset allocation. Third, use market volatility to fine tune your portfolio.

A well-thought-out investment plan can help keep emotion from driving your decisions. For example, you might decide in advance to take profits when the overall market rises by a predetermined percentage. You might try to hedge the risks of one investment by buying something else that may profit if that investment struggles. Or you might use a buy-and-hold strategy for core investments, but be more flexible with other assets.

Next, check your asset allocation. Has it changed because of market forces? If one type of asset now represents too small—or too large—a piece of your portfolio, you might want to rebalance.

If you want to adjust your allocation but are worried about making sudden moves at the wrong time, you don't have to do everything at once. Dollar cost averaging into or out of investments lets you spread your risk over time and could help you reposition your portfolio gradually.

Third, use market volatility to your advantage. Market cycles offer both obstacles *and* opportunities. For example, if you missed out on an investment in the past because it was too expensive, the price might be lower now. If you have losses in a taxable account, you may be able to use them at tax time to reduce the amount of income tax you'll owe. And some investments are designed specifically to profit from market swings, though they may not be suitable for every investor.

Remember, markets go up… *and* down. Everyone faces investment setbacks; good investors learn from them.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Dollar-cost averaging does not ensure a profit or prevent a loss. Such plans involve continuous investments in securities regardless of fluctuating prices. You should consider your financial *ability to continue making purchases during periods of low and high price levels. However, this can be an effective way for investors to accumulate shares to help meet long-term goals.*