Dealing with Market Volatility

If you're like many investors, market volatility and the related ups and downs in your portfolio, including your retirement/savings plan with your employer, may make you feel uneasy.

What is market volatility?

Market volatility is a period when the price of an asset, like a stock or a bond, rises or falls in sudden, significant and unpredictable ways. Most of the time, stock markets are calm but at other times, prices jump up and down dramatically.

How might this impact you?

When reviewing your 2022 retirement/savings plan statements, depending on your investments, you are likely to see negative returns for 2022. It is important to remember that changes in the investment market are a normal part of economic cycles and investing. It's not a reflection of poor investment fund managers or your choice of investment funds.

Historically, many major events have had a dramatic short-term impact on the markets, such as:

- Black Monday in 1987
- The Dot-com Bubble Burst in 2000
- 9/11 in 2001
- The Financial Crisis in 2008
- The Declaration of the COVID-19 Pandemic in 2020

However, the markets have always recovered and continued to grow. Based on historical data[1], average downturns of 21.9% are likely to return to normal, or better, within 12.8 months. Generally, those who remain calm, stay invested and contribute regularly are rewarded in the long run.

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What should you do?

During changes and declines in different investment markets, it's important to remain focused on when you'll need your savings or investments:

- If you're a long-term investor, staying the course can help you achieve the positive long-term investment returns you're looking for; if you withdraw your money from a fund before the market has a chance to bounce back, you could miss out on valuable investment returns; also, the volatility you see now may present an opportunity to buy investments "on-sale" (a.k.a. buying more units at a lower price) through your group plan.
- If you're a short-term investor, you may want to consider a less volatile investment option.

Short-term events may have little effect on your long-term retirement and savings goals if your investment portfolio is based on your risk tolerance and appropriately diversified across asset classes, sectors, investment styles, and geographic regions.

When things are going well, we tend to forget that there will be times when the markets aren't as strong. Being patient during volatile financial times is easier said than done. Here are a few strategies to help you weather market fluctuations:

- **Stick to your plan.** Don't panic and make an emotional decision. Think about your long-term plan and investment strategy, which should align with your long-term goals and risk tolerance
- **Ensure your investment portfolio is diversified.** A well-diversified investment portfolio of stocks, bonds, and cash investments is ideal for spreading investment risk; managing risk is an essential part of your investment plan
- **Review your financial goals, risk tolerance and investments regularly.** If you have questions or need more information, contact your financial coaches at Cowan Insurance Group at:

  1-866-345-8256 or
  email financialcoaching@cowangroup.ca

  (Accessible accommodation available upon request)

1. DataStream and Bloomberg, Benchmark S&P 500 Composite, US$ return. April 30, 2022