



## Weathering Volatility With a Long-term Strategy

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Read the financial news today and it's highly likely you'll see the term "volatility" in at least several articles. While market volatility is a normal part of the investing experience, ever since the pandemic hit the world in 2020, volatility seems to have become the new norm for investors.

"Market volatility" is the fluctuation of the market, both up and down, and the rate of that change to the equity market's overall value. The bigger and more frequent the value swings, the more volatile the market. For example, when the stock market rises and falls more than one percent over a sustained period, it is often called a "volatile" market.

Equity markets are highly sensitive right now. Their gyrations are tied to many key factors, including inflation rates, interest rates, key economic indicators, changes in monetary policy, and global conflict. Most particularly, the uncertainty brought about by the elevated level of inflation and rapidly rising federal funds rates are fueling market volatility and investor fears.

The Federal Reserve's fight to reduce today's inflation rates has left stocks in a state of consistent volatility. Even though the U.S. inflation rate is beginning to slow down, it still remains well above the Federal Reserve's 2% target. The Federal Reserve remains committed in its battle to get closer to the target range.

In January, the U.S. unemployment rate reported a five-decade low unemployment rate of 3.4%. While the economy is still showing some signs of

*Our primary mission is to focus on  
**YOUR FINANCIAL GOALS!***

*We still maintain our  
**"proceed with caution"** approach.*



*If your time horizon, risk tolerance, or goals have changed, or if you have any questions or concerns, please call us.*

resiliency, the expectation is that the Federal Reserve is highly likely to increase interest rates several more times this year.

The economic environment seems as if it is balancing on a seesaw and investors are unsure of what direction it will tip. Equity markets are responding by remaining very wary and have many investors on the edge of their seats, waiting for the next move.

Seasoned investors understand that **market downturns are uncomfortable, but not uncommon**. It's important to keep in mind that during volatile times like these, staying the course of your well-devised plan and remaining invested could prove to be a wise decision.

Every one of us has a unique personal financial goal. Regardless of what yours is, committing to a disciplined, process-oriented approach to your investments and money management has proven to be beneficial to long-term financial success.

## The Long-term Strategy: A Historical Advantage

We all hear the terminology “long-term investing”. But what exactly does that mean? Five years, ten years, twenty? While there is no set universal timeframe, long-term investing typically is thought of as 5 or more years.

It’s extremely important to know your personal time horizon when investing.

When will you need to take from your investments?

Traditionally, there are three major time horizons, short, mid, and long-term. Knowing what horizon is best for each of your goals is much more effective than trying to time the market.

Taking money out of the market during a downturn and then trying to predict the right timing to re-invest can be a risky practice. Studies

## Tips For Investors in a Volatile Market






- *Understand your financial goals.*
- *Have a long-term plan.*
- *Think big picture, not day-to-day.*
- *Avoid constantly checking your investments.*
- *Talk with us about your concerns.*

have shared that investors who stayed in the market through volatile times have performed significantly better than they would have if they pulled their money out in a downturn and missed some of the best upward movements. As you can see from the chart in this report, missing a market rebound can be costly.

Taking a big picture approach to your investments helps you place your focus on long-term investing. Remember, short-term movements of the market are unpredictable and do not abide by any average. Shorter term investors are more likely to feel the impact of market fluctuations.

## Market Timing Can Be Costly

Investor behavior      Hypothetical growth of \$10,000 in S&P 500 from 1/1/80 - 6/30/22\*

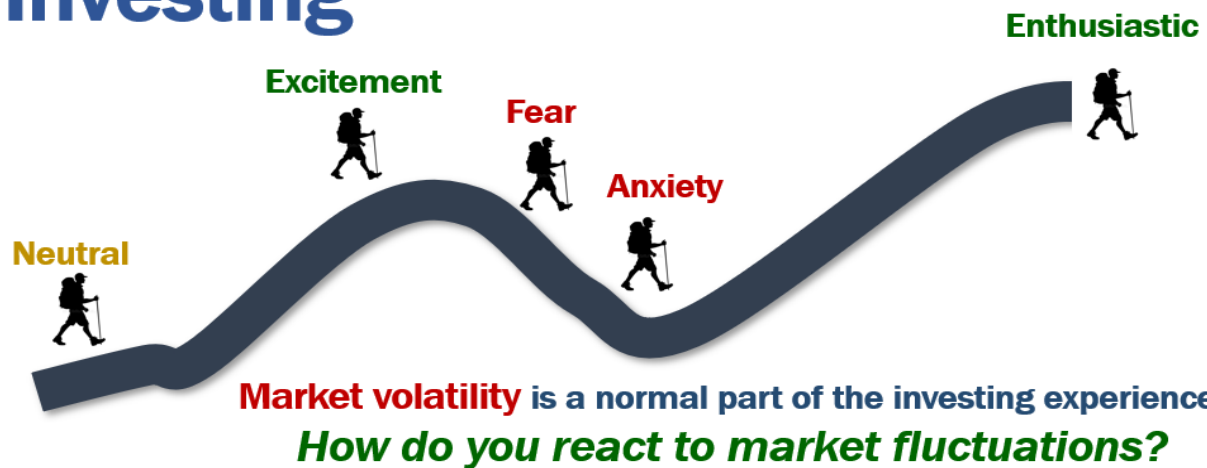
Invested all days		\$1,060,000
Missing best 5 days		655,981
Missing best 10 days		472,481
Missing best 30 days		171,261
Missing best 50 days		75,568

Source: Bloomberg.com 9/27/22; FMRCo, Asset Allocation Team

\* Growth reflects dividend reinvestment but not impact of taxes

For many long-term investors there is no reason to even subject themselves to daily market headlines. If you have a long-term investment horizon for your equity holdings of at least five years, chances are the current volatility will pass - possibly in a couple of weeks, months or at the most, a few years.

# **Emotional** Highs and Lows of Investing



## **Investing Behavior: The Menace of Many Would-be Successful Investors**

Investing can be an emotionally challenging activity, especially when times are uncertain and markets are in a downturn. How you analyze data, how you perceive economic and social news, prior biases, are some of the factors that directly affect your emotional tendencies. It is inevitable that an investor will experience market fluctuations and even the steadiest of investors can experience discomfort. It's natural to become anxious, however, panicking is not a plan.

Your ability to emotionally withstand market fluctuations is a primary factor in the direction of your investments. Most successful investors will tell you that there is no secret strategy or magic pill to their success. They created a plan and stuck with it, especially during volatile times, and did not let emotions dictate their actions.

Practicing perseverance can help you withstand a bumpy ride. Historically, strong rebounds have followed steep market drops. Those who cashed out and locked in losses and did not return were

left behind and those who stayed invested reaped the rewards of those rebounds.

It may sound cliché, but patience is indeed a virtue when it comes to investing.

## **Stay the Course**

A disciplined approach to investing is the foundation of a sound financial plan. Even when equities are performing well, investors should be prepared for uncertainty. Now, more than ever, is the time to stay the course of your well-devised, diversified plan.

It is our responsibility to focus on your goals while keeping in mind that it is nearly impossible to predict the severity or length of market fluctuations. We do agree with the consensus that due to continued interest rates increases, belligerent inflation rates, and a strong U.S. economy, it appears that market volatility will continue to be with us for a while.

While you cannot control the direction of the market, you can control how you react to market volatility, when you set your time horizon, and what your risk tolerance is. We are committed to

creating plans for our clients that takes these into consideration. The ideal financial plan is long-term focused and positioned to best weather uncertain and volatile times.

We are diligently watching areas that we feel may affect your situation. As always, if you would like to revisit your financial holdings, rebalance your portfolio, or have any concerns or questions, we are here for you.

We believe an educated client is the best client. We will keep you apprised of issues we feel could affect your financial situation.

As a reminder, please keep us aware of any changes (such as health issues, changes in your retirement goals, or the sale of a home). The more

knowledge we have about your unique situation the better equipped we will be to best advise you.

We pride ourselves in offering:

- consistent and strong communication,
- a schedule of regular client meetings, and
- continuing education for every member of our team on the issues that affect our clients.

**A skilled financial professional can help make your journey toward your goals easier. Understanding your needs and objectives will help us create an optimal plan for your unique situation. As always, we appreciate the opportunity to assist you with all your financial needs.**

#### **Save the Date!**

We have mapped out our client education and interaction sessions for 2023. Attached is our Event Flyer with our dates and subjects. Update your calendars now so you won't miss any of these important events.

Look for additional information to be sent prior to each event.

**Please call our Client Concierge, Melinda, at (909) 869-7880 extension 209 to confirm your attendance.**

#### ***The Advisory Group***

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**The Advisory Group**

## 2023 Event Calendar

3/22/2023

### LPL Systems & Account View

Webinar on Wed, Mar 22, 2023 at 6pm (PT)

4/26/2023

### Investor Update – Quarter 1

Webinar on Wed, April 26, 2023 at 6pm (PT)

5/6/2023

### TAG's Client Appreciation Event

Sat, May 6, 2023 from 9am to noon

6/21/2023

### SECURE 2.0 And Tax Law Changes

Webinar on Wed, June 21, 2023 at 6pm (PT)

7/26/2023

### Investor Update – Mid Year

Webinar on Wed, July 26, 2023 at 6pm (PT)

9/20/2023

### Legacy Planning Workshop

Webinar on Wed, Sept 20, 2023 at 6pm (PT)

10/25/2023

### Investor Update – Quarter 3

Webinar on Wed, Oct 25, 2023 at 6pm (PT)

11/08/2023

### Year End Planning

Webinar on Wed, Nov 8, 2023 at 6pm (PT)

Update your calendars now so you won't miss any of these important events.

Additional information will be sent prior to each scheduled event.

Webinars are presented online through Go-To-Meeting and scheduled for 6:00pm (Pacific Time), unless otherwise stated.

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