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The Fragreport

Five Things to Remember with Your 401(k) in Volatile Markets

March 2020 | Robert R. Fragnito | Chief Operating Officer | Financial Advisor

"You're riding high in April, Shot down in May. But I know I'm gonna change that tune. When I'm back on top, back on top in June."

Frank Sinatra's old tune, *That's Life* always picks me up when times seem tough. I replayed that song this week and like the song, the market was riding high in February and was shot down in March because of coronavirus fears. I had to remind myself, markets correct and eventually move forward.

Here are five things you should remember when assessing your retirement plan during volatile periods in financial markets.

1. Keep Calm and Invest On

Yes, as hard as it may seem, keep calm and invest on. Emotional investing will always affect markets, but as you invest in your retirement, you should remain devoted to your plan. Remember, you're in it for the long-haul. Market volatility is a part of the process of investing and that process will offer you multiple opportunities to benefit from swings in the market as you build your retirement.

2. Ask Yourself: Where am I at with my Retirement Plan?

Assessing which stage you are at with your retirement plan is critical when addressing market volatility. Are you a younger investor? Is retirement fast approaching? As you consider these questions, taking a pulse of your risk tolerance and where you see your financial picture at this stage in your life is beneficial. Creating a retirement timeline can be very helpful when taking this into consideration.

3. Review Your Asset Allocation

Asset allocation is an important consideration for any investor. Asset allocation can help diversify risk of a portfolio and it can more effectively help achieve financial goals. The general rule of thumb is that younger investors should be more aggressive with their retirement accounts while older investors should allocate their investments more conservatively. We must keep in mind that markets are dynamic, and allocations may change based on many factors.

4. Advantages of Dollar-Cost Averaging

No one can time the market, not even the savviest of investors. Thankfully dollar-cost averaging can help you along the way in your retirement building journey. Simply put, dollar-cost averaging allows investors to invest the same amount of money at different prices over time. This is done to attempt to reduce the impact of volatility on prices of the asset your investing in.

The idea here is that as you continue to invest through your contributions, your average cost of your investments minimizes price volatility and avoids market timing. This is a common practice for many participants who make contributions to their 401(k) plan.

5. Ask an Advisor

Financial coaching and development should be an important part of your retirement plan. A financial advisor can provide the investment guidance needed to help you achieve your retirement goals and help reinforce your confidence in the plan you've laid out for your financial future.

Final Thoughts

Planning for and managing retirement is one of the greatest challenges facing all age groups in the United States of America. Market volatility also adds an emotional challenge when conceptualizing retirement planning for investors at any stage. When we witness volatility in financial markets, we must remain calm and remind ourselves that our journey to retirement is a marathon, not a sprint.

This won't be the first nor the last headwind we will face in financial markets. I find motivation in the words of Frank Sinatra: "*I know one thing, Each time I find myself flat on my face, I pick myself up and get back in the race*."

If you have any questions or are seeking advice regarding your retirement plan please contact us directly at 949.472.4579, and feel free to forward this report and our contact information to anyone who might be interested.

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