by Susan Michel

How To Steady Yourself During A Volatile Market

2022 has been an interesting year – and one that most investors would like to forget. The S&P 500 has now fallen for three straight quarters and has suffered its worst performance at this point in a year since 1931. One of the questions I am often asked is, "Are we heading into a recession?" I think it's safe to say that the risk of a recession (assuming we are not already in one) is exponentially higher than it was a year ago. But how does market volatility affect you as an investor, and how can you keep your emotions in check and make decisions based on logic rather than emotion? Here are some tips to help you stay calm during this unsettling time:

1 **Focus on what you can control.** Stay calm, and don't be influenced by negative feelings. If you're saving for retirement or college for your children, don't let short-term fluctuations get in the way of those long-term goals.

2 **Stay informed - but don't obsess.** Keep up with what's happening in the markets and businesses that interest you, but stressing over every move they make—whether up or down—won't help you make better decisions in the long run.

3 **Re-evaluate your risk profile.** Know how much risk you're willing to take before investing in a company or sector of the market. If you have a high tolerance for risk and are ready to accept some losses on occasion, then go ahead; otherwise, stick with safer investments until you feel more comfortable with taking risks again.

The stock market is unpredictable, but there are ways you can use downturns to your advantage.

- **If you have a lower risk tolerance or a shorter time frame:** This is a time to focus on dividend stocks. These stocks tend to be less volatile in these recessionary environments, and they

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Sources:
Bloomberg: "Runaway Bear Market Blows Past Everything Meant to Slow It Down"
A Wealth of Common Sense - "Navigating the Pain of Your First Bear Market"

pay you "rent" (i.e., dividend income) for the opportunity to live in your portfolio.

- **If you have a higher risk tolerance or a longer time frame:** The next several months may provide an opportunity to purchase quality companies at a discount. The average recession lasts roughly 13 months, with a market drop of around 36%. That indicates that we still have more downside to go, but as a long-term investor, you can use this as an opportunity to invest more money each time there is a significant drop.
- **Treasury Bonds:** Last year, if you bought a 2-year US Treasury bond, you would have received an annual yield of 0.11%. Today (thanks to the Federal Reserve's interest rate increases), the same 2-year treasury bond will give you an annual yield of over 4.0%. Typically, when the yield on treasuries rises, so does the yield you receive on the cash in your bank checking and savings accounts. However, banks still have such a high level of cash deposits from the pandemic that they don't want to incentivize people to give them more. As a result, many investors I have worked with take advantage of our unique environment by taking the cash they do not need for their everyday expenses or an emergency fund and investing it in US treasuries. In this scenario, they can get above a 4% yield without taking a market risk since treasuries are backed by the US government.

As an investor, it often pays to be an optimist, and history tells us that although we do not know when, good times will return. Remember, over the 50 years from 1970-2019, there have been 7 recessions, 10 bear markets, and 4 legitimate market crashes with losses of over 30% for the U.S. stock market. And yet, the S&P 500 has provided an average total return of 11.89% over that same time. So keep in mind that market volatility is normal, and it's important to remember that time in the market is more important than timing the market. ⊖

Susan Michel is the founder and CEO of Glen Eagle, an award-winning financial services firm based in Kingston, NJ. Offering retirement planning to business owners and wealth management, Glen Eagle takes an educational, holistic approach to meet its clients' long-term goals. Susan is a member of the Enterprising Women Advisory Board and a past recipient of the Enterprising Women of the Year Award. She was recently named an Enterprising Women "Top 20 in 2020" Award Winner.

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