Simple strategies to weather market volatility

As an investor, one of your biggest concerns may be your ability to weather market ups and downs. That concern will likely grow as you approach retirement.

When investing, act your age

When you're younger and further from retirement, you have time to recover from market downturns and can afford to make more aggressive investment choices. As you move closer to retirement, you have less time to recover from market downturns and may want to begin making more conservative choices.

If you're invested in a target-date fund, this will be done for you by the fund's manager. If you're not, think about gradually moving your assets away from stocks, to more conservative choices, like cash and bonds.

Target-date funds

A target-date fund represents a complete investment portfolio that automatically shifts toward a more conservative mix of investments as it approaches its "target date." A target-date fund investor picks a fund with a target date closest to their retirement date. The managers of the fund make all decisions about asset allocation, diversification, and rebalancing. Target-date funds are also known as lifecycle funds.

Check in with your account. The choices you made yesterday might not be the same ones you'd make today.
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Investing dos and don’ts

Even if you’re not ready to retire, you’ll want to be aware of a few strategies to help you weather market fluctuations.

DO invest efficiently

Dollar cost averaging means investing consistently regardless of market conditions or asset prices. You buy more shares when market prices are low and fewer shares when market prices are high. The end result is that your purchase price per share is lower than the average price of the shares over time.

Good news! By investing consistently into a retirement plan such as a 401(k), you’re already doing this.

How dollar cost averaging works

Period	Investment amount	Share price	Shares purchased
Jan	$240	$20	12
Feb	$240	$15	16
Mar	$240	$12	20
Apr	$240	$24	10
Total	**$960**		**58**

The average share price = **$17.75** over four months

Your cost per share = **$16.55**

As the table shows, by investing gradually over four periods, you would have paid less than the overall average price of the shares: $16.55 per share rather than $17.75 per share.

DO spread your risk

Not all investments behave the same way. For example, stocks and bonds react differently when an interest rate hike is on the horizon. This is where asset allocation—spreading your money across different investment types—can help.

Asset allocation won’t guarantee a profit or protect against loss, but it can help smooth your road to a more secure retirement.

DON’T let emotional investing derail you

If you’ve ever sold an investment during—or in anticipation of—a market downturn, welcome to the human race. We’ve all been there. In fact, behavioral scientists have proven that people fear losses more than they anticipate gains. But you can overcome this tendency. Know that, when investing for the long term, it’s normal to experience market ups and downs. And if you make choices that align with your long-term investment plan—and not your queasy stomach—you’re more likely to make the right choice for you.

DON’T try to time the market

Timing is everything, but successful market timing is nearly impossible—even for professional investors.

If you sell when prices are down, you guarantee a loss—and lose the chance to gain if prices come back. Instead, formulate a plan that’s appropriate for your investor style and years to retirement and stick to it, but revisit it periodically.

Ask for help when you need it

If you’re feeling lost, stop and ask for directions. Seek the help of a professional if you have questions or want help making investment decisions. It’s your future and it matters.