Tips for Thriving Through Market Volatility

We all know getting out of your car during a snowstorm is the worst thing you can do; in fact, it is a good way to get killed. When it comes to investing in equities (stocks), volatility is par-for-the-course. Often investors let emotion control decisions, viewing volatility in equity markets in a negative light, and not embracing volatility as one of the disciplined investors best allies. The following article will outline tips for not only surviving market volatility, but actually thriving from it.

Long-term returns in the stock market have averaged over 10%2. However, those returns have not come in a linear fashion. One of the first thing investors should acknowledge is that volatility is normal. Historically the S&P5001 index has experience a 5% or more decline about three times per year. A 10% or more decline in value is also normal, and happens about once per year. Even a 20% or more decline occurs about once every five years2. Volatility is the price of admission.

Information is a double-edged sword. We should continue to invest the time to strengthen our financial education and literacy. However, investors should remember that media’s job is to create views or clicks. More views and more clicks means more revenue. Unfortunately, the media often creates hysteria or euphoria to drive views. Don’t get too caught up in the negativity of the “white noise” of the day. No, the sky really isn’t falling.

Time in the market is more important than timing the market. Over the last ten years, a $10,000 investment left untouched in the S&P500 would be worth $27,2483. However, missing the best 10 days in that period of time would leave that original $10,000 only $14,922. Don’t try to time investment decisions, rather let time be your ally and invest through market cycles.

Panic is toxic while patience can serve an investor well. In times of market turbulence, it is important to remember some basics in handling emotion. As the famed Peter Lynch is quoted, “The real key to making money in stocks in not getting scared out of them”. Warren Buffet is noted with saying “ The market is the most efficient mechanism anywhere in the world for transferring wealth from impatient people to patient people.” Don’t mistake fluctuation of principal for loss of principal. Losses are only temporary unless you choose to make them permanent.

Market volatility is an inevitable part of investing and often coupled with a high degree of anxiety and fear. Warren Buffet is credited with the quote, “Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful.”. Disciplined long-term investors will embrace and benefit from equity market volatility.

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*1 – All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future returns.*

*2 – Capital Group. Keys to Prevailing Through Stock Market Declines.* [*www.capitalgroup.com/advisor/pdf/shareholder/mfgebr-051\_recovrbr.pdf*](http://www.capitalgroup.com/advisor/pdf/shareholder/mfgebr-051_recovrbr.pdf) *Accessed August 4, 2023*

*3 – Capital Group. Guide to Stock Market Recoveries.* [*www.capitalgroup.com/advisor/insights/articles/guide-market-recoveries.html*](http://www.capitalgroup.com/advisor/insights/articles/guide-market-recoveries.html) *Accessed August 4, 2023*