

VIEWPOINT

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Five tips for investing in uncertain times



It's easy to worry about your investments when markets are volatile and the news is filled with uncertainty. And it's normal to be concerned, but taking a measured approach can help you ride out uncomfortable periods and maintain good financial health. Here are five ways to stay calm and focused during periods of volatility.

1. Focus on your long-term goals

It's important to remember why you started investing in the first place. Whether you're saving for retirement, funding a child's education or simply building your wealth, your long-term goals are precisely that: long-term and markets have historically shown resilience to short-term pressures. Staying committed to your objectives can help you avoid hasty decisions that could jeopardise future returns.

2. Diversify your portfolio

Diversification means spreading your investments across a variety of sectors, asset classes and regions. When you diversify, losses in one area may be offset by gains in another, helping to balance your portfolio and increase its resilience. Diversification can act as a buffer against the full impact of volatility, and the knowledge that your eggs are spread across many different baskets can be helpful if market conditions become challenging.

3. Stick to a consistent investment schedule

Committing to regular investments can be an effective way to keep your portfolio on track by taking emotion out of the equation and allows you to buy assets at various price points which smoothes out the effects of volatility. You pay more when times are good and less when the market dips, but the cost will average out over the long-term and your portfolio will continue to grow. This is often referred to as pound cost averaging.

4. Keep cash reserves on hand

Easy access to cash can provide a sense of stability in uncertain times. Cash reserves can help you avoid selling assets at a loss if you need emergency liquidity, but they can also give you the flexibility to act if an opportunity arises. For some investors, a mix of cash and short-term fixed-income investments help balance their portfolio's risk profile and provides easy access to funds without having to sell when prices are low.

5. Reevaluate your risk tolerance

It's normal to worry about your portfolio when things are uncertain, but if market volatility has you losing sleep it could be a sign that your investments aren't aligned with your risk tolerance. Consider adjusting your portfolio to reflect a level of risk you are comfortable with.

We can help you stay focused on your goals through periods of volatility. Please get in touch if you want to talk about your investments.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.