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# Investment Anxiety: Coping with a Volatile Market

*Steve stares down at the mess of investment statements spread out on his dining room table and sighs. He hasn't been sleeping well this past year and the latest numbers do little to calm his frazzled nerves.*




*Just shy of his 49th birthday, Steve and his wife Marie have amassed a modest portfolio through years of hard work and disciplined saving. With their children grown, the couple's retirement dreams of Caribbean cruises and a lakefront cottage seemed well within reach. But the recent market dive has brought some sharp losses and, while their portfolio has bounced back, it's still a long way from a full recovery. Worse, experts are saying the next few years are far from certain and further losses remain a frightening possibility. Steve can't shake the feelings of helplessness and anxiety as his retirement goals hang in the balance...*

Whether you're a casual investor or a seasoned market trader, most people can relate to Steve's story. In fact, a 2010 study by the American Psychological Association found that an overwhelming 76 per cent of Americans consider money to be a significant source of stress. When the stress of an uncertain economy starts to become overwhelming, far more is at stake than just money. Stress is a direct or indirect cause of many serious health conditions, including high blood pressure, heart disease and depression. Financial concerns can also place an uncomfortable strain on family relationships.

## Balancing Your Emotions and Finances

While market fluctuations and occasional losses are inevitable, there are some steps you can take to safeguard your investments and rest a little easier in turbulent times:

**Seek sound advice**: If you're feeling anxious about your investments, a conversation with a trusted financial advisor is always the best place to start. While there's no shortage of general advice, the right investment strategy is never one-size-fits-all. It's important to regularly review your investments and adapt to changes in your personal situation, goals and risk tolerance. An updated long-term investment plan backed by solid expert recommendations can go a long way towards putting your mind at ease.

**Facts over fear**: When your investments start to lose value, it's easy to allow emotions to cloud your judgement. Take a step back and gather as much accurate, factual information as possible. For example, if a stock you own has been fluctuating recently, take a careful look at the actual corporation behind it. If you see an organization with a strong balance sheet, consistent earnings, competent management and a solid reputation, chances are good that any short-term volatility won't have too great an effect on the long-term value of the company. A solid understanding of the facts can help you make calm, rational decisions about your finances.

**Stay invested**: In a difficult economy, it can be tempting to cash out your investments and move your money to a guaranteed savings account (or hide it under your mattress!). Taking an overly- defensive approach, however, can lead you to miss the opportunity to recover losses when the economy turns and investment values begin to rise. As well, if your returns are too low, the real value of your assets will

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drop as your savings won't keep up with inflation. While you may consider rebalancing your portfolio to avoid unnecessary risk, pulling out of the market entirely is rarely the best course of action.

**Focus long-term**: Unless you're ready to retire, long-term investment performance is likely going to be far more important than any daily, weekly or even quarterly returns. While things may seem bleak today, history shows that markets have always rebounded and conservative investors are usually able to recover at least partial losses. For example, the average U.S. recession over last 50 years has lasted only 11 months. Take a long-range view of your investments and accept that short-term fluctuation is par for the course.

**Turn down the noise**: Today's investors are bombarded with an overwhelming amount of information. In turbulent times, much of this commentary can take the form of negative 'doomsday' predictions which do little more than create unnecessary anxiety. While it's important to regularly monitor the performance of your investments, there's little to be gained by compulsively checking daily stock prices or reading every available financial article. Listen to only the information you need to make informed decisions and tune out the rest.

**Don't forget debt**: Many investors overlook the fact that paying down personal debts may actually offer an equal or greater return than what the market can provide, especially in a difficult economy. For example, paying off the balance on a credit card costing you 19 per cent annual interest will give you the savings equivalent of earning a 19 per cent return. If you're in a position to do so, paying down debt can also improve your credit scores and free-up available credit for emergencies – both of which can help you breathe a little easier in uncertain times.

**Release tension**: Market stresses can take a powerful toll on your mental and physical health, as well as your personal relationships. Look for healthy ways to relieve tension and take your mind off the markets. Exercise is among the most powerful stress relievers, but hobbies, entertainment, and social time with family and friends can also be effective. At the end of the day, no amount of money is worth sacrificing your well-being.

Without a crystal ball, none of us can predict where the markets will be tomorrow. But with an educated strategy, regular review and a positive, long-term outlook, you can maximize your chances of strong returns – and a healthy, happy retirement.