5 ways

to help yourself worry less when the market gets rough

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Decisions you make in a volatile market can affect your investment results for years to come. But when turmoil hits, it can be tough to know which decisions are best. Why? Because stress can bring up emotional reactions and biases that could lead to mistakes.

Everyone has investing biases. But you don't have to succumb to them. You can help manage the effects of biases and triggers with steps like these.

1 Wait

Don't make short-term moves that may jeopardize your long-term goals. Commit to an amount of time you'll wait before making portfolio changes.

2 Chill

Don't make important decisions when you're stressed out. Instead, engage your favorite stress-reducing activities to help calm your brain and emotions. Also, try to reduce your news consumption so you're less provoked by media noise.

3 Focus

Investing success isn't really about money. It's about satisfying your life goals. Concentrate on your investing "why"—the meaning behind your investments.

4 Persevere

When you look long-term, short-term hills and valleys tend to smooth out. Make sure you have an asset allocation designed to meet your long-term goals—and stick with it through short-term ups and downs.

5 Talk

Work closely with your financial advisor to create a plan that spans market conditions.

Ask questions like these:

- Do I have an appropriate mix of investments for my long-term goals?
- Is my portfolio diversified enough to withstand market volatility?
- Have I addressed investment costs and tax efficiency?
- Do I have a good plan for making portfolio adjustments in a volatile market?

Not all of these steps are essential for every investor, and they aren't meant to be investment advice. But it's important to discover and rein in your personal biases before you find yourself in the emotional throes of market turmoil.

The Bias Freedom Workbook from Schwab Asset Management™ can help. Using it with your financial advisor's guidance, you can diagnose your personal biases and start avoiding many of the pitfalls that investors commonly face.

Keeping your head

Hasty moves could reduce your portfolio results, say researchers. Looking across 20 years, they found the average investor earned about 70% of what they'd have earned by buying and holding an S&P index fund.[1]

Why? One reason is that emotional reactions can lead to rash decisions—like panic withdrawals in market turmoil.

Making a sound investing plan and sticking with it can help you reduce mistakes from strong emotions and biased thinking. Ask your financial advisor for help.

Get started on the path to rational investing with a step-by-step guide to managing your biases.

Ask your financial advisor for a copy of The Bias Freedom Workbook today.

[1] Quantitative Analysis of Investor Behavior, DALBAR, Inc., 2020, www.dalbar.com. The average investor refers to the universe of all mutual fund investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual fund investors to be used as the statistical sample, ensuring ultimate reliability. Past performance is no guarantee of future performance. Indexes are unmanaged; do not incur management fees, costs, and expenses; and cannot be invested in directly.

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