

## What to do in volatile share markets : 3 things to consider

Recent share market volatility is giving investors a refresher course in what a market sell-off feels like. During a market correction it's natural for investors to wonder if they should be doing more to protect in a downturn. If you can handle the market volatility and have a long time horizon, generally it is not necessary to change your portfolio.

Volatile markets can see many investors have knee-jerk investment decisions motivated by emotions more than fundamentals. Undertaking a major portfolio change in such trying times is generally not a good idea. Keep in mind that it can also be a great time to be a buyer of shares.

The fear caused by a crash does far more harm to portfolios than the actual magnitude of the crash. At Aspirations Wealth Group we are not overwhelmed with terrifying headlines and doomsday predictions. The instinct to either sell, or stop investing, is always a mistake. The chart below shows the five year price movement for the Australian share market and the two market corrections we have experienced. Over this period the market has returned over 8% per annum.



Here are three things to consider in volatile markets:

### 1) Ignore the news headlines

Generally, most people don't pay too much attention to the stock market or spend much time thinking about it. But when markets fall dramatically media outlets love to run the 'world is ending' news headlines. Every share market investor would have endured many crashes in the past and will continue to face them in the future. The trick is to ride them out and stick with your plan. You will eventually be rewarded for stomaching the volatility. Let me tell you that it is not all bad news!!!

### 2) Understand that volatility comes with investing in shares

Most people, even those in retirement, need the long-term earning potential of shares to ensure they meet their financial Aspirations. Owning shares can be painful in the short term however that is the price you pay for the long term higher returns shares offer. The share market often makes very large moves in a short period of time. Don't panic, think about your long-term plan and what kind of assets you need to get there. Remember that the share market has been through this before, many times and much worse. These bouts of stress are why shares return more than other assets.

### 3) Keep the long-term perspective in mind

Volatile times in the share market make us feel like we need to do something, reacting out of panic is rarely a good strategy. Don't blindly sell shares because they are suffering right now. Investors who sell shares and hold cash are stuck sitting on the sidelines and can end up missing the bulk of a share recovery. There are still many quality companies that will provide great returns over the next few years.



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