

Enduring Market Volatility

Insights and Advice from Investment Professionals

“The market is the most efficient mechanism anywhere in the world for transferring wealth from impatient people to patient people.”

— Warren Buffett

Volatility in the market can leave participants uneasy about their current investment strategy and the future of their retirement savings. In November 2014, we published an article entitled [“Riding Out the Storm”](#) to explain that investors should stick with their long-term investment strategy, even in times of intense market volatility. Now, with the U.S. markets jittery in response to declining global markets and impending rising interest rates, it is the perfect time to revisit the topic.

Media channels are buzzing about plunging markets, both in the U.S. and around the globe. News stories are sensationalized to boost ratings while investors are likely left in a panic. Although fear of financial loss is understandable during times of market fluctuation, getting out of the market at a low point and potentially missing the upswing can be extremely detrimental to retirement savings.

Advice from Investment Professionals

If you look at the website for any of the well-known mutual fund families, you will most likely find an article or blog post about market volatility right on the home page. The topic is prominent on the websites of American Funds, Fidelity, Vanguard, and T. Rowe Price, to name a few, and each post comes to the same conclusion - market declines are a normal part of the investment cycle and they don't last forever.

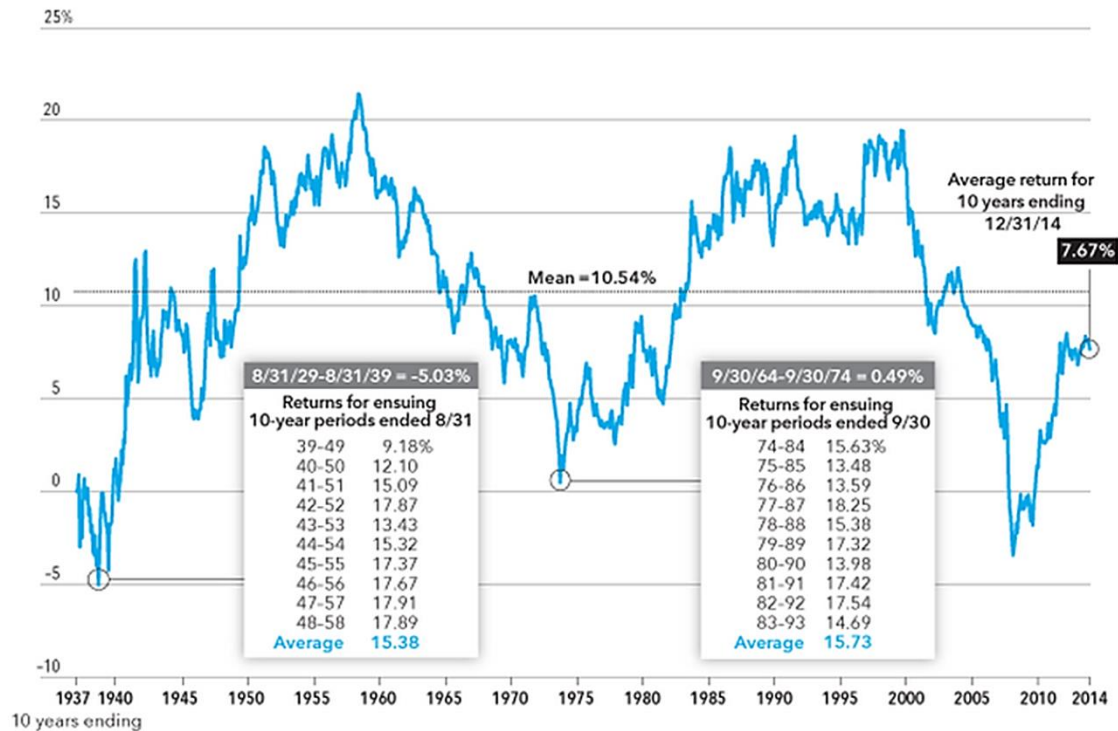
In the Vanguard Blog, CIO Tim Buckley discusses the need for perspective and patience in his August 27th post. “I read a quip in the local paper over the weekend: The stock market takes the stairs up but the elevator down. As I felt the elevator begin its descent this week, my stomach lurched a bit, but I kept coming back to the fact that good investing requires discipline and a bit of courage. You need discipline to stick with a well-established long-term investment plan and courage to endure short-term volatility.” Later in his post, Mr. Buckley discusses patience needed in a tech-savvy world. “It’s tough to sit tight and stay calm when we live in a world of 24-hour news cycles amplified through social media and smartphone alerts. ‘Tuning out the noise’ is difficult when the noise is seemingly everywhere. No one can predict what’s next for global markets. That’s why today’s chatter about what the market is doing or might do is meaningless, and potentially dangerous, for the long-term investor.”¹

The American Funds website for Individual Investors contains multiple resources to help investors prevail through market fluctuations. The graph below is used to display a

¹ Buckley, Tim. Perspective & patience. Vanguard Blog. 27 August 2015. <http://vanguardblog.com/2015/08/27/perspective-and-patience/>

reassuring history of market recovery, highlighting the importance of sticking to a long term strategy.²

S&P 500® Rolling 10-Year Average Annual Total Returns (12/31/1927-12/31/2014)



Source: Thomson InvestmentView

Results are calculated on a monthly basis. The index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index. Past results are not predictive of results in future periods.

Standard & Poor's 500 Composite Index is a market capitalization-weighted index based on the results of 500 widely held common stocks.

A Fidelity Viewpoints article, published on August 28th, shares tips for weathering volatile markets which includes having an investment strategy based on personal goals, risk tolerance, and time horizon, being comfortable with your investments, diversification, not trying to “time the market”, and investing regularly despite volatility.³

The Bottom Line

Market fluctuations are a normal occurrence. Blocking out the “gloom and doom” media noise and keeping a long-term perspective is the best course of action to weather the storm of market volatility.

² Proper Perspective Can Help You Remain Calm. Market Fluctuations. American Funds.

<https://www.americanfunds.com/individual/planning/market-fluctuations/keys-proper-perspective.html>

³ Fidelity Viewpoints. Six strategies for volatile markets. 28 August 2015. <https://www.fidelity.com/viewpoints/investing-ideas/strategies-for-volatile-markets>