

FINRA Podcast

Tips for a Turbulent Market

SS Hello, and welcome to another FINRA investor education podcast. I'm Susan Sarver.

BS And I'm Bud Schneeweis. When the stock market is rocky, it can be hard to steady your pulse. But if you focus on your overall financial picture, and combine that with sound planning, this approach can pay dividends, no matter current market conditions. And these five steps can help you stay focused.

SS First, revisit your financial goals. Setting clear, prioritized goals will help guide your investment approach. Each one should include steps on how to achieve it, a price tag, and a time frame. When you tie sound financial goals to a long-term financial plan, chances are those short-term market ups and downs won't be so nerve-wracking. For example, a worthy goal might be to save the IRS annual contribution limit in your company's 401(k). To make that goal a reality, use FINRA's 401(k) Save the Max calculator, a simple tool that does all the math for you. The steps are clear. Select how old you will be at year-end, and then input how much you have contributed so far year-to-date and how many pay periods you have left. Our tool will then tell you how much more you need to save each pay period to reach the IRS limit. Once you know that number, work with your employer to implement this goal.

BS Tip number two is concentrate on asset concentration. A big market movement can highlight what's called concentration risk. This is the risk of greater losses that may occur if a large part of your overall portfolio is in only a single investment asset class or

market segment relative to your overall portfolio. It's important to diversify across and within the major asset classes. For instance, you should review to see if you hold multiple asset classes like stocks, bonds, cash and real estate. You should also look at whether your stock holdings are spread among different sectors such as biotech, electronics, retail or emerging markets. And then check if your bond portfolio is diversified by issuer and type like corporate, municipal and treasury.

SS Our third tip is to focus on your financial security. Take advantage of day-to-day opportunities to help build your finances for the long term. These can include things like paying your credit card debt on time and in full and setting aside funds for emergencies like a car repair or for something like a vacation. The key is to automate. You can set up automatic payment plans through your bank or credit union to pay down debt or to fund savings accounts.

BS The fourth tip on our list for how to deal with a turbulent market is to understand the impact of higher interest rates. If the Fed raises the federal funds rate, that alone might not change your investment strategy. When interest rates rise, bond prices generally fall. But interest rate risk is one of a number of factors to consider when you invest in bonds and other fixed income products like bond mutual funds or exchange traded funds. Another factor to consider is duration risk. This is the name economists give to the risk associated with the sensitivity of a bond's price to a 1% change in interest rates. You can find a bond fund's duration in the fund's Fact Sheet. Finding the duration of an individual bond can be a bit trickier. To do so, start by asking your investment professional or the bond's issuer. There are also online calculators available that compute an individual bond's duration.

SS Our fifth and final tip is protect your money. Fraud is a growing threat, and financial scammers operate in all market conditions. In times of high market volatility, investors may be particularly vulnerable to pitches touting guarantees of so-called “risk-free” returns. Combining a guarantee with a specific amount of money you will make is a highly effective tactic known as phantom riches. A scammer might say something like:

BS “This is a safe investment that will earn you \$6,000 every quarter.”

SS You can avoid fraud by working only with registered investment professionals and by sticking to your predetermined financial plan. Also, be sure to find out if a person is registered to sell securities. To do so, use FINRA’s broker check.

BS We hope you found this podcast helpful for getting tips on how to deal with a turbulent market. To learn more about investing, go to our website, finra.org, and be sure to share this podcast with friends and family.

SS For all of us at the FINRA, thanks for listening.