Strategies to help survive the ups and downs of the market

While visiting an amusement park this summer may not be possible for everyone, the stock market has provided a number of exhilarating rides to make up for it. Following are some tips for holding on.

Keep a big-picture perspective. While past performance doesn't guarantee future results, history may provide some comfort during turbulent market times. Over time, the stock market has historically risen despite significant economic challenges (see below).

From January 1, 2000 through December 31, 2019:

- The S&P 500 delivered an average annual return of 7.68%.
- Bonds (Bloomberg Barclays US Aggregate Bond Index) delivered an average annual return of 5.08%.
- Cash Equivalents (90 day T-bill*) delivered an average annual return of 1.79%.
- Inflation averaged 2.17% a year.

Source: Kmotion Research; Callan Institute, https://www.callan.com/periodic-table/. Past performance does not guarantee future results.
* 90 day T-bill is a short-term debt obligation backed by the Treasury Department of the U.S. government.

Be flexible during the downturns. Look for ways to spend less if you're already retired, or invest more if you're still working.

Make sure you maintain an emergency fund (generally 3 to 6 months of living expenses — preferably closer to 6). It may keep you from dipping into retirement accounts during market downturns.

Keep your time horizon in mind. If you won't need the money for years, you have much more time to recover from any setbacks.

Don't self-isolate on your investments. Before taking any actions, talk to a spouse or partner, trusted friend or family member who, of course, have your best interests in mind. Then talk to a financial professional who can provide sound advice based on your specific circumstances.

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