

4 Ways to Cope With a Volatile Market

By Jeffrey Eisenberg

Plunging oil prices, falloffs in overseas equity markets, and slowing growth in the Chinese economy have all contributed in recent months to volatile swings in markets here in the United States—and that has investors nervous. Many are still recovering from the market crash of 2008 and are wondering if more of the same is in store.

If you're wondering about the future of your portfolio, here's the good news. Many economists see growing strength in the American economy, particularly with pickups in hiring and modest wage growth. And even during volatile markets, a portfolio whose holdings are properly allocated and diversified can still perform well over the long run. Having funds invested in multiple asset classes has been shown to reduce risk.

When markets gyrate, the volatility provides an opportunity to take a fresh look at investment strategies to ensure they're still on track. The exercise can leave you feeling more in control and let you sleep more easily at night. Here are four tactics to ensure your portfolio is best positioned to achieve your life goals.

Review Your Account

While it is always important to review the performance of your investment portfolio, it is especially so when the market takes sudden, abrupt turns. In the midst of a bull market, it is easy to become complacent; certain maturing investments may be held past their prime, or some asset classes may grow to the point where they make up too large a position in your portfolio. In a bear market, it is easy for investors to get spooked. They can sell off valuable assets before they've ripened, or they may overlook great buys and opportunities.

A fluctuating market offers an occasion to reevaluate your portfolio and rebalance your investments according to your risk tolerance, ensuring you are best positioned for a market recovery.

Review Your Advisor Fees

There are many fees and/or commission charges associated with purchasing investments and managing your investment portfolio. But paying more to your advisor does not necessarily yield a greater return. Reviewing those fees can result in significant cost savings.

Fees charged by mutual fund companies come in two primary forms. Loaded mutual funds charge fees based on the fund share class. (Class A funds, for example, will levy a front-end sales charge plus sometimes an annual asset-based fee; class B funds come with an asset-based sales charge plus a declining contingent deferred sales charge over six years; class C funds typically contain the highest annual asset-based sales charge). These load structures are generally similar across mutual fund companies.

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The second fee structure for mutual funds is the no-load fund, which typically does not charge any fees other than a small amount for each purchase (such as \$25 to \$50).

Likewise, fees for transacting sales and purchases of individual stocks also vary quite a bit from firm to firm. Are you paying too much? Ask around and see.

Fees charged by investment advisors usually represent the largest percentage of costs incurred by an investor, and they vary widely among investment firms. You may be charged on a transactional basis (a flat amount per each transaction), or via a fee-based structure (a flat rate for all services, typically a percentage of assets under management). The latter is more common and provides for more transparency. A fee-based arrangement allows you to more easily compare the annual fees you incur from your current advisor with fees you would incur with alternatives.

Review Your Financial Plan

It is not uncommon for other life priorities such as work, family, children's activities, and household chores to overshadow the time and attention needed for overseeing your financial goals. Volatile markets can offer a chance to review plans immediately.

Are you on track with your goals, needs and priorities? Has your risk tolerance changed? If you are still contemplating these questions, then it is time to review your current financial plan. If you do not currently have a financial plan, seek guidance from an independent investment advisor who will provide an unbiased strategy custom-tailored to your financial situation.

Seek a New Perspective

Now that you have considered these points, ask yourself: Could my portfolio be doing better? Is my account getting the attention it needs? Is my portfolio properly allocated and diversified for my current life situation, age and risk tolerance? Are my advisor fees too high? Consider getting a "second opinion" to make sure you are staying on track.

Don't let your financial future become stagnant. Your financial portfolio is typically one of your largest sources of wealth and a foundation for a comfortable retirement. Use the discomfort of a volatile market as the catalyst for evaluating the health and well-being of your portfolio.

Jeffrey Eisenberg is president and CEO of SecuraWealth™ Investment Strategies. SecuraWealth™ Investment Strategies does not provide legal or tax advice. Please contact your attorney and/or tax advisor regarding any questions you may have specific to your situation.