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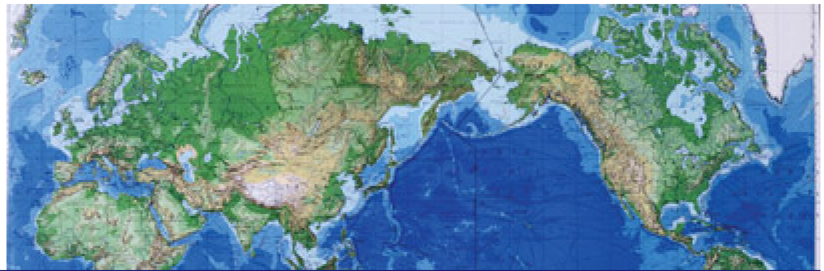

THE WHITE PAPER

Strategies for Managing Your Assets

January 2016

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Coping With Market Volatility

Global market volatility ramped up last summer as worries about the tenuous state of the Chinese economy shook virtually all major financial benchmarks, indicating once again how interrelated the world's economies and investment markets have become.

Widespread uncertainty has not only heightened anxiety among investors, it was also a likely contributor to the Federal Reserve's decision to leave interest rates near zero when the Central Bank's decision-makers met in September. Indeed, despite the continued strengthening of the U.S. economy, there are many signs that indicate that this turbulent period for stocks may linger indefinitely.

Five Investing Strategies for a Volatile Market

For long-term investors, dealing with volatile markets can be taxing. Here are some points you may want to consider while riding out the storm. None of these should be new to you, but they are particularly important in a turbulent environment, which is where their true value is realized.

1. Don't panic -- When markets become volatile, the gut reaction for most of us is to panic -- to buy when everyone else is buying (and when prices are high) -- and panic sell on the downside (when prices are depressed). Panic selling also runs the risk of missing the market's best-performing days. Consider, for example, that missing just the five top-performing days of the 20-year period from July 1, 1995, through June 30, 2015, would have cost you $21,780 based on an original investment of $10,000 in the S&P 500. Missing the top 20 days would have reduced your average annual return from 9.79% to 3.58%.[1]

2. Take advantage of asset allocation -- During volatile times, riskier asset classes such as stocks tend to fluctuate more, while lower-risk assets such as bonds or cash tend to be more stable. By allocating your investments among these different asset classes, you can help smooth out the short-term ups and downs.

3. Diversify, diversify, diversify -- In addition to diversifying your portfolio by asset class, you should also diversify by sector, size (market cap), and style (e.g., growth versus value). Why? Because different sectors, sizes, and styles take turns outperforming one another. By diversifying your holdings according to these parameters, you can potentially smooth out short-term performance fluctuations and mitigate the impact of shifting economic conditions on your portfolio.

4. Keep a long-term perspective -- It is all too easy to get caught up in the stock market's daily roller coaster ride -- especially when markets turn choppy. This type of behavior is natural, but can easily lead to bad decisions. History shows that holding stocks for longer periods has resulted in a much lower chance of losing money. For example, from January 1, 1926, through June 30, 2015, stocks have never had a period of 20 years or longer where returns were negative.[1] The lesson here? Don't get caught up in day-to-day or even week-to-week variations in stock movements in either direction. Instead, focus on whether your long-term performance objectives, i.e., your average returns over time, are meeting your goals.

5. Consult with a financial advisor. He or she can help you develop a long-term investment strategy and can help you put short-term events in perspective.

No one is certain what impact current drivers of volatility will ultimately have on the economy and financial markets. But as an investor, time may be your best ally. Consider using it to your advantage by sticking to your plan and focusing on the future.

[1] *ChartSource®, Wealth Management Systems Inc. For the periods indicated. Stocks are represented by the total returns of Standard & Poor's Composite Index of 500 Stocks, an unmanaged index that is generally*

considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results. Copyright © 2015, Wealth Management Systems Inc. All rights reserved. Not responsible for any errors or omissions.

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