



Jason Knox, CRC®

PERSPECTIVE

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Strategies for Volatile Markets

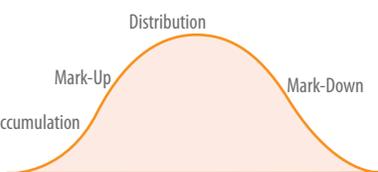
The Four Phases of the Market Cycle

The Accumulation Phase occurs after the market has bottomed and early adopters begin to buy fearing the worst is over.

The Mark-up Phase occurs when the market has been stable for a while. Investors act as fear of being in the market is supplanted by the fear of being left out.

The Distribution Phase begins when sellers distribute their positions. When this phase is over, the market reverses direction.

The Mark-down Phase is most painful for those whose investments fall below what they've paid for it. However, it's new investors who will buy the depreciated investment during the next accumulation phase and enjoy the mark-up.



Volatility came back in a big way during the final quarter of 2018, causing the markets to experience both historic drops and advances.¹

Instead of worrying about market volatility, it's best to expect it and be prepared. Here are some strategies to help your portfolio survive these volatile times:

- » **Call your advisor for professional advice.** A qualified financial advisor can help provide access to the products that are suitable for your specific risk tolerance. In addition, they can help rebalance your portfolio periodically to ensure that it isn't more heavily invested in stocks than you had originally planned. A financial advisor can help return your portfolio to where it should be at the risk level you're willing to accept.
- » **Stay disciplined.** It's easy to lose perspective when volatility continues to affect the markets, but it's best to focus on the numerous opportunities available. In addition, the economy remains healthy. Many economists predict another 10 years of bull market gains, but they fully expect a number of short-term pullbacks.²

» **Invest for the long-term.** When the markets are volatile, it pays to have an investment plan in place and stick to it. Unless something has changed with your investment time horizon, objectives and risk tolerance, there is no reason to change your investment strategy. Investors who stick with their investment plan and maintain a diversified portfolio are prepared for market shocks.

» **Remember, the market moves in cycles.** Volatility isn't unusual. It's a normal occurrence. Markets may seem random, but there are repeating cycles. They go up, peak and then go down, making down markets a part of that cycle. Investors tend to forget to expect the end of a current market phase, but when one market cycle finishes, the next one will begin.

Perhaps the best strategy of all is to remember that in times of market volatility, it's important to resist the natural impulse to react emotionally and stay the course. ◀

Past performance is no guarantee of future results. A diversified portfolio does not guarantee a profit nor protect against a loss.

¹ www.wyattresearch.com, *Get ready for a volatile 2019*, Crowder, Andy, December 23, 2018.

² www.kiplinger.com, *How to prepare for volatility in 2019*, Smith, Glen, February 20, 2019.

Source: Investopedia.com, *Market Cycles: The Key to Maximum Returns*, February 2018.



Getting Tax Withholding Right

You've probably heard people boast about the size of their tax refunds or lament the amount they owe, especially this year as people see the results of the Tax Cuts and Jobs Act passed at the end of 2017. In either case, their tax status means one thing: they haven't bothered to accurately determine how much they

should be withholding. That's not a big deal, as long as they don't mind making interest-free loans to Uncle Sam or having to come up with a few thousand dollars for taxes right after the holidays. Here's how to remedy these situations:

IRS FORM W-4

Your employer withholds taxes from your pay and then pays the money to the Internal Revenue Service (IRS) in your name. The amount your employer withholds is determined by two things: your earnings and the way you complete your W-4.³

It's a good idea to review the Personal Allowance Worksheet section of your W-4 each year and make any necessary changes. In general, any major life event—getting married, having children, losing a spouse—will give you a good reason to review your withholding choices.

WITHHOLDING CALCULATORS CAN BE HELPFUL

If you've been getting a sizeable refund every year, you may be having too much withheld from your pay. If you owe taxes every year, you're probably having too little withheld. Your accountant or your Lincoln Investment advisor can help you review your withholding amount. Or, you can try an online calculator, such as the one available at IRS.gov. ◀

None of the information in this document should be considered as tax advice. You should consult your tax advisor for information concerning your individual situation.

³ www.irs.gov, "Tax Withholding", December 2018.

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