

## “The Reality of Volatility”

By Tommy Williams, CFP®

Why am I saving and investing? As we adjust back to volatility, that’s an important question. There are many reasons people save and invest, including to:

- Live the life they want today and in the future
- Accumulate resources so they’re prepared for any bumps in the road
- Provide an education for their children
- Offer assistance to parents
- Support a special needs family member
- Philanthropy
- Live comfortably in retirement without anxiety

However, none of these reasons have anything to do with short-term market fluctuations.

Recently, major U.S. stock indices have experienced a selloff, and we saw a dramatic downturn in stock markets. In one week the Dow Jones Industrial Average was down 5.7 percent, the Standard & Poor’s 500 index lost 6 percent, and the NASDAQ fell

6.5 percent, reported Barron’s.



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Those are big moves for a single week. The kind of moves that light up the emotion centers of investors’ brains and make them want to sell. However, it’s not a new phenomenon. In 2002, in an article for CNN Money, Jason Zweig explained the brain’s potentially negative influence on investment decisions, *“But in the world of investing, a panicky response to a false alarm – dumping all your stocks just because the Dow is dropping – can be as costly as ignoring real danger. For one thing, it can cause you to flee the market at a low point and miss out*

*when the market bounces back. A moment of panic can also disrupt your long-term investing strategy.”*

So, what has really happened? In short:

- The Fed raised rates, as expected. The Federal Reserve raised the Fed funds rate by a quarter of a percent, which may benefit savers and investors, but will make borrowing more expensive.
- Tariffs triggered trade war worries. The Trump administration levied tariffs on China, raising concerns of a global trade war.
- You’re fired! There was additional turnover among senior advisers to President Trump.
- Can they do that? British news reported a data analytics firm has been influencing elections around the world in some unsavory ways.
- Don’t share my data! There was news a social media firm had shared the personal data of thousands with

a researcher who shared it with a third-party firm without permission.

- Another data breach. An online travel company experienced a data breach that may have exposed the personal information of 880,000 users.
- The economy is chugging along. Last week's U.S. economic releases were overshadowed by everything else, but many indicated a strengthening economy, reported Barron's.

That's a lot to take in over the span of five days. The critical thing is to recognize these short-term events are unlikely to change your long-term financial goals. Financial decisions, including buying and selling investments, are important and can be life shaping. They should be grounded by long-term financial goals and foundational principles of investing. They should not be based on the brain's instinctive fear and flight response.

It being Easter, I would be remiss if I didn't leave you with some

good news. Here are some headlines from the Good News Network:

1. Scientists Believe They Found a Way to Stop Future Hurricanes in Their Tracks
2. Stranger Becomes Honorary Grandma after She Opens Home to Stranded Father in Distress
3. We're not spinning a Yarn Here: Knitting May Boost Health and Happiness
4. Robot Becomes Part of the Community after Easing Daily Burden of Water Collection in Remote Village
5. Instead of Using Trees, Scientists are Making Sustainable Paper out of Manure
6. World's First Mass-Produced, 3D-Printed Car is Electric and Costs Under \$10K
7. This Pollution-Gobbling City Bench Can Absorb as Many Toxins as 275 Trees
8. Free Clothing Hung on Streets to Help the Homeless Stay Warm

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