

The Road Ahead is Always Bumpy With Summer Volatility

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I'm heading home up Chapman Mountain from 565. I'm staying at a steady pace when suddenly traffic comes to a slow crawl. Now, I don't know what caused it or how long this will take, but I do see one car in particular frantically shifting from lane to lane. This car is aggravating other drivers, wasting gas and energy, and ultimately, when he changes lanes its always too late. As I creep forward, I see him disappearing behind me in my mirrors, stopping short and driving himself crazy.

As a licensed driver, I should expect occasional delays, and because I am an educated investor I should expect summer volatility. Compare summer volatility to your evening commute. You're going to hit some bumps for a while, but you'll still get home. What's crucial is to understand your attitude towards risk and catering your portfolio to your goals.

Don't worry about the waves on the beach if there's a smooth horizon. Attitude is everything when it comes to investments. Volatility, like recessions, is part of the economic cycle. Before you even begin to think about investing, you need to have a plan in place. What percent are you willing to drop to? Many claim they're prepared for some downturn, but start getting antsy on their first bad day. Don't answer volatility with panic. According to DALBAR's 2016 Annual Report, "Investment results are more dependent on investor behavior than on fund performance." [1] It's recommended to hold steadfast against tumultuous markets. Some are willing to gamble more than others, and that's absolutely fine. If your portfolio is in alignment with your risk appetite so you never experience more volatility than you can handle, you can handle the summer with ease.

Prepare your economic portfolio with what your comfortable with. Are you willing to put forth the risk for higher returns? What percentage of your investments do you want to keep protected? These are all important questions to answer at the beginning of your investment journey. Over time, these numbers will adjust with your needs, but recognize that you may have some amount of your investments susceptible to volatility. Barclay's Wealth writes, "If you are planning to make any type of investment, you should always ensure you only invest what you can afford to lose and have savings to cover any short to medium term needs." [2] Recognize that with any investment you should have a back up plan. Typically people have aggressive and conservative investments and the coordination of these percentages in conjunction with the correct amount of risk is where I see effective portfolios.

Remember, your investments, like traffic, will sometimes come to a halt. Be patient, it'll all soon be a memory.

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[1] "DALBAR's 23rd Annual Quantitative Analysis of Investor Behavior" *DALBAR*, 2017, pp. 3

[2] https://wealth.barclays.com/ocp/en_gb/investment-ideas-and-strategies/home/better-investor/attitude-to-risk.html