

Tips for Retirement Savings in Turbulent Markets

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The continuing volatility in the financial markets has had a sobering effect on many investors. Some people have panicked and adjusted their portfolios quickly to “protect” their investments. Others have felt stymied and have simply avoided looking at their financial statements. In fact, there are responsible actions anyone can take to help gain some sense of control and confidence in meeting long-term goals.

Here are 5 tips for you to consider as an investor in weathering volatile times.

- 1. Maintain a financial plan.** To achieve your short- and long-term goals, you need a financial plan. If you don't have one, work with an objective, non-commissioned financial advisor to create one as soon as possible. If you do have a plan, consult with your advisor to make sure it still reflects your current situation, future needs and tolerance for risk. Stepping away from the noise of the daily headlines can give you a fresh perspective — particularly with the assistance of a financial professional.
- 2. Keep a long-term perspective.** Despite recent declines, over the long term stocks have performed well and outpaced inflation. Of course, past performance is no guarantee of future results. They should continue to play an important part in a well diversified portfolio. Avoid reacting arbitrarily to short-term changes in the market that might endanger your long-term financial well being. That's why having a financial plan is so important.
- 3. Stay diversified.** Continue to stay invested in a broad range of asset classes — equities, fixed income, real estate and money market instruments — as well as a broad set of investments within each class. This will help temper volatility as different assets tend to rise and fall at different times.
- 4. Continue to invest regularly.** “Staying on the sidelines” until the economy improves, while it may seem appealing at first, can place you at a disadvantage when the market does begin to recover. Continue making contributions to your retirement savings and investment plan. The downturn in the stock market allows you to buy assets at reduced prices. Also consider opening an Individual Retirement Account, (IRA) as an additional savings vehicle. An IRA or a Roth IRA can complement other retirement savings.
- 5. Establish an emergency fund.** An emergency fund of cash reserves can help you meet unexpected short-term expenses while you maintain a focus on the long-term. Normally, such a fund should cover six months of normal living expenses. Given today's environment, however, try to cover a full year. You can keep your reserves in a bank savings account (insured by the FDIC), or in a money market account, or short-term CDs.

While no one can predict the future, it is likely that the markets will remain volatile. By adhering to these 5 tips, you can better position your retirement plan to weather these turbulent markets and help build your financial security.

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