How To Effectively Deal With The Stock Market's Ups and Downs

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Do you anxiously check the stock market's rising and falling multiple times a day? You are not alone in your woeful obsession, however it might be time to quit. After all, what valuable knowledge or strategies are gained by taking your precious time to constantly check in on where the Dow, S&P or Hang Seng is teetering in the moment? The answer is simple: You are setting yourself up for a cycle of disappointment. Allow me to set the stage: It's all about two important factors: 1) The appropriateness of your measurement tool and 2) What you are measuring.

First, some notable history:

- On October 19, 1987, the stock market plunged—the DJIA fell by 508 points to close at 1738.
- On October 27, 1997 the stock market again hit a "major landmine" and the DJIA fell by a whopping 554 point to close at 7161.
- October 31, 2007 found the Dow up 137 points to close at 13,930.
- October 20, 2016 ended with the Dow down 40 points to close at 18,202.
- Here we are in May 2017 and the Dow is in the range of 20,900.
- Since 1987 we have experienced recessions, tech bubbles and bursts, wars, and Fed Funds interest rates that, in 1987 were around 7.25%, and are 1% today.

All this data means a whole lot of nothing on a short-term basis.

Market movements need to be thought of in terms of your goals. If you are 20 years from retirement, does the daily or even annual movement of the markets really mean something valuable? As noted before, it actually means nothing. However, what is important is the amount of risk you can tolerate (from short term market fluctuations) and how much time you have until your important goal.

The answer to those vital issues determines the allocation to equities (risky assets) in your portfolio vs. fixed income (hopefully, not risky). The expected return of the portfolio should be measured against their benchmarks each year to determine if they are doing what is expected. If they are not, then find out why and make a change if appropriate. If you are using a passive approach (i.e. asset class investing/indexing) you should be hitting the benchmarks pretty closely. If you are using an active management approach (i.e. stock picking, market timing), you can likely expect to miss the benchmarks on a fairly regular basis.

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Following and digesting the headlines, news reports and emotional outpouring of cable money gurus can be difficult and challenging. It will only add to your own insecurities about the future. Here are five tips to consider before plunging into the depths of despair over the markets so you can hopefully channel your energies to more productive and satisfying means.

1. **Know your time targets**- Short-term goals should not be put at risk—no matter how tempting! Long-term investments shouldn't need to be monitored daily, weekly, monthly or quarterly. If you believe the need exists to watch your long-term investments that closely, you might be doing something wrong. You wouldn't measure the distance from New York to Los Angeles with a 6-inch ruler, would you?
2. **Keep perspective**- Remember, on average, the markets will have 2 down years, 2 flat years, 2 fair years, 2 good years and 2 very good years with a recession every 20-25 years. Don't sweat the down years or recessions; they are normal!
3. **Turn off the noise**- The Internet, newspapers, TV and radio are filled with noise all looking for your attention. Remember: The media's job is to fill space and time with stories to capture your time and imagination (and not always in the best interest of your goals).
4. **Know yourself**- If you MUST play the stock game; do so with only the amount of funds you can afford to lose. Decide this amount ahead of time. If you recognize your lack of knowledge or comfort, get help from an objective expert. Objective advice should be obtained from a fee-only advisor, not from a stockbroker who makes their living recommending, buying and selling investments.
5. **Change your habits-** If you find it difficult to change your habits of constantly monitoring the markets, you might find working with a Behavioral Therapist helpful in creating new habits.

Very little is more frustrating that watching the market and imagining the "what if's." For many who are caught up in "ticker fever", it has become normal activity. But as for whether it has any benefits at all, the answer is a plain and simple-no. Take action to improve your life and bring you closer to your goals.

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