

5 Strategies for Navigating a Volatile Market



As much as investors wish this wasn't true, financial markets rarely behave like we hope they will. Markets fluctuate on a whim for a number of reasons: global events, natural disasters, high interest rates, and high inflation rates, which happens to be one of the reasons the current financial market is in turmoil.

There's chaos in the finance industry right now. The S&P 500 has fallen [more than 16 percent](#) since the beginning of the year. The Nasdaq, which has ushered the fall of the market, has sunk [around 30 percent](#) from its all-time closing high towards the end of 2021.

The unpredictability of the market has spooked investors, and they're reacting by abandoning risky assets. The U.S. Federal Reserve recently introduced the biggest historic interest rate hike in 30 years in an attempt to calm growing inflation rates, but it's still impossible to think about the state of the financial market and not panic. How will this volatility affect investors? Is it possible that it could devastate the economy?

I'm not here to speculate on the economic impact, although a [Reuters poll](#) uncovered that strategists believe U.S. markets will end the year up from their current levels. What I hope to do is provide insight for investors who wish to continue navigating this volatile market, because panicking and doing nothing is not a good investment strategy.

1. Work with a Trusted Financial Consultant

You may have had success making investment decisions on your own, but now is the perfect time to work with a financial consultant you trust. All you may be thinking about is losing money, but a financial consultant is interested in helping you find opportunities in a volatile market. A financial consultant understands your long-term financial goals outside of investments alone, and can develop a market-volatility strategy that helps put you at ease while you wait out the market.

2. Expect and Accept the Inevitability of Volatility

If this is your first time experiencing a volatile market, panic is understandable — even expected. But it's important to have perspective, which you can do by researching how similar events have unfolded in the past. Since 1926, [every six years stocks have fluctuated into bear market territory](#). These losses have been pretty profound, but the market has always recovered.

3. Reexamine Your Risk Tolerance

If this volatility has really been difficult for you to stomach, it might be time to reexamine your strategy. This doesn't mean dropping all risky assets at the news of a downturn, but it is important to develop a plan that aligns with your financial goals yet alleviates some of your feelings of anxiety and fear.

4. Invest Consistently

Buying stocks in a volatile market, when they're at their cheapest, can actually yield positive results. If you're working with a financial consultant, the investment plan you have in place should already account for market volatility, so it's usually beneficial to stay consistent.

5. Diversify Your Portfolio

Don't put all your eggs in one basket. We're all familiar with this saying, but it's the perfect example of diversification. The more diversified your portfolio is, the less likely you'll be affected by volatility. It may be overwhelming to diversify your portfolio on your own, which is where a financial consultant comes in.

Market volatility will always be outside of our control, so it's important to control what you can to achieve your financial goals.