**Ghostwritten Article |
Are Volatile Stock Markets Good for Investors? – LPL**

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**Are Volatile Stock Markets Good for Investors?**

When the ups and downs of stock markets leave you stressed and wondering whether stocks really will help you pursue your long-term financial goals, there are two things to remember:

1. **Historically, over long periods, stocks have tended to move higher.**
* For instance, at the start of October 1987, the Standard & Poor’s (S&P) 500 Index was valued at 327. On Black Monday, October 19, the Index lost 22 percent in a single day. By the end of the month, it was trading at 247. Many investors wondered if their savings and investments would ever recover.1, 2

By Jun 1, 2020, the S&P 500 was trading at 3,055.3

* In March 2000, the dot.com bubble burst. On March 10, the NASDAQ Composite closed at 5,049 and less than a month later, on April 5, the Index was trading at 4,169 – a loss of about 17 percent. Many investors wondered if their savings and investments would recover.4, 5

By June 1, 2020, the Nasdaq Composite was trading at 9,552.6

* In 2008, when the financial crisis roiled stock markets, the Dow Jones Industrial Average opened the year at 13,044. It finished the year at 8,776 – a 33 percent loss. Many investors wondered if their savings and investments would ever recover.7

On June 1, 2020, the Dow was trading at 25,475.8

The point of this brief history of stock market downturns is U.S. stock markets are volatile. They suffer losses and experience gains. However, over time, indices have trended higher.

For investors with long-term financial goals, that can be good news. Those who can tolerate volatility may find including stocks in well-allocated and diversified portfolios help enhance returns over time. Keep in mind, of course, that past performance is no guarantee of future results.

1. **Market volatility may create opportunities.**

When a portfolio loses value in uncertain markets, it’s natural to wonder whether you should sell. Sometimes, investors do so without considering how the decision will affect their long-term goals. While selling isn’t always a mistake – perhaps, your asset allocation is out of balance or you want to harvest tax losses – selling without a strategy may be erroneous.

Here are a few tips from *Fidelity* and *CNBC* that can help investors avoid mistakes and make the most of opportunities during periods of market volatility:

* **Keep perspective.** As the examples above demonstrate, stock market downturns are normal. Historically, markets have recovered and delivered positive returns over the longer term.9
* **Stay the course.** Our natural instinct for self-preservation leads some investors to sell when markets drop. This locks in losses. In the past, when investors have been patient, they’ve recovered lost value when markets moved higher again.10
* **Buy low.** During periods of market fluctuation, wealth managers may find opportunities to buy stocks of attractive companies at attractive prices. By investing in well-priced opportunities, investment advisors may position their clients for stronger performance.10
* **Review your asset allocation.** If you haven’t done it recently, review your asset allocation strategy. Does it still match your target allocation? Sometimes, after periods of strong market performance, a portfolio will need to be rebalanced.
* **Review your risk tolerance.** If market volatility is causing you to lose sleep, it’s possible your risk tolerance has changed or is lower than you anticipated. If that is the case, reducing overall portfolio risk may be a wise choice. Talk with your financial advisor before making any changes.10
* **Harvest tax losses.** Talk with your financial advisor and tax professional about whether you could benefit by selling investments during a downturn and taking the losses for tax purposes.10
* **Consider a Roth conversion.** If you’ve been thinking about converting a Traditional IRA into a Roth IRA, completing the move during a market downturn could reduce the amount of taxes owed.10

Whether you’re investing for short- or long-term financial goals, it’s important to recognize the opportunities created by market volatility, and work with your financial advisor to make the most of them.

If you would like to discuss your portfolio and positioning yourself for the long term, give us a call.

Sources:

1 <https://www.investopedia.com/terms/b/blackmonday.asp>

2 [https://finance.yahoo.com/quote/^GSPC/history?period1=557384400&period2=568101600&interval=1d&filter=history&frequency=1d](https://finance.yahoo.com/quote/%5EGSPC/history?period1=557384400&period2=568101600&interval=1d&filter=history&frequency=1d)

3 <https://www.wsj.com/market-data/quotes/index/SPX/historical-prices>

4 <http://time.com/3741681/2000-dotcom-stock-bust/>

5 [https://finance.yahoo.com/quote/^IXIC/history?period1=951890400&period2=955774800&interval=1d&filter=history&frequency=1d](https://finance.yahoo.com/quote/%5EIXIC/history?period1=951890400&period2=955774800&interval=1d&filter=history&frequency=1d)

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7 [https://finance.yahoo.com/quote/^DJI/history?period1=1167631200&period2=1230789600&interval=1d&filter=history&frequency=1d](https://finance.yahoo.com/quote/%5EDJI/history?period1=1167631200&period2=1230789600&interval=1d&filter=history&frequency=1d)

8 <https://finance.yahoo.com/quote/%5EDJI/history/>

9 <https://www.fidelity.com/viewpoints/investing-ideas/strategies-for-volatile-markets>

10 <https://www.cnbc.com/2018/04/02/how-investors-can-take-advantage-of-market-volatility.html>

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