

ClientLine



A LOOK AT TIMELY FINANCIAL ISSUES

Feeling on edge? Don't let the markets get you down!

If you're like most investors, the current North American economy has probably put you on edge. Layoffs, plant closures, bankruptcies, declining personal wealth, finger pointing – the news never seems to get better.

In fact, the markets are a clear reflection of this turmoil. Recently the Dow Jones Industrial Average and Toronto Stock Exchange have been as predictable as the weather, glimmers of optimism giving way to drops every time there's another economic aftershock.

Newspapers around the world have fuelled the doom and gloom – some might call it fear-mongering – with one bad news story after another. Some articles are even calling this situation the worst financial crisis since the Great Depression. Whether the headlines are overly dramatic doesn't matter. Investor fear and the global recession are very real.

Still, it's important to stay positive and not push the panic button. Even though dramatic market changes may compel you to sell your investments, think carefully before making a hasty decision that you may regret later.

Diversification is key

One of the best weapons against market volatility is diversification. A portfolio that has a mix of equities and bonds, international and domestic, large and small companies, is the best way to protect yourself from feeling the brunt of wild swings in the markets.

This means avoiding the temptation to put all your investments in low-risk money market funds if that doesn't reflect your long-term risk profile. While these products have less risk attached to them, they also provide very little growth potential. In many cases, they don't even keep pace with inflation.

For the long-term investor, staying the course is crucial to achieve the long-term gains that most people seek when they enter the market.

But remaining patient during turbulent financial times is easier said than done. Doing a proper risk assessment and scheduling regular meetings with your financial advisor will increase your chances of success, and more importantly, it will improve your comfort level.

And, if there's a positive scenario that a bear market presents, it's the lure of a good bargain. A drop in the markets can be a great opportunity to invest.

Quick tips for calm during turbulent markets

1. Stick to your plan

Don't panic or make emotional decisions. Remember that bad news sells for the media, and the headlines reflect short-term events. Saving for retirement is a long-term project that demands a long-term perspective.

2. Talk to your advisor

All of us are looking for a calming influence in these turbulent financial times. That's why it's more important than ever for the two of us to discuss any financial concerns you have. This can be a reassuring step toward making sure that you're still comfortable with your financial plan – one we designed with times like this in mind. It's also a good opportunity for us to assess your current comfort level and determine whether there may be other options to help you manage your risk and bolster your portfolio.

3. A diversified portfolio spreads the risk

A well diversified portfolio of stocks, bonds and cash investments is ideal for spreading

the investment risk across many investment types. Investing in different geographies provides even more diversification. Managing risk is an important part of your investment plan.

4. Look for guarantees

For the risk-averse, there are products on the market which are guaranteed. Segregated funds are a good example and these guarantees can be an important component of helping you achieve lifetime financial security. This is particularly true in retirement, where market fluctuations have a bigger impact, because assets are being withdrawn at the same time.

5. Make regular investments over time

If you borrowed money in February to contribute to your RRSP, why not set up an automatic monthly withdrawal plan? Making regular payments over the year instead of one lump sum payment will help ensure that you can purchase more shares at lower prices and fewer shares at higher prices. This strategy helps remove emotion from the process of investing.

Helping you build lifetime financial security

While a volatile market may create uncertainty, anxiety and concern, you can be confident about your business relationship with Sun Life Financial. The company remains in a healthy financial position, with a strong balance sheet, a widely diversified investment portfolio and prudent capital management. Our focus is on you and the rest of our clients. We have the right products, services and advice for you. We'll help you prepare for the future, whatever it brings!