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The market has been a wild ride lately, and like all wild rides, it's creating its share of frayed nerves. From early February to mid-March, the Volatility Index (VIX)—also known as the "Fear Index"—was up over 500 percent. Then it declined more than half. Even now, it's bouncing all over the place. What this means is fear is behind a lot of people's financial decisions. That's never a good place to be, says investors' rights advocate Peter J. Mougey.

"Fear-driven decisions are rarely good decisions, and they rarely have favorable outcomes," says Mougey. "The best strategy in a time of elevated fear is to calm

down, avoid knee-jerk reactions, and get educated on how the market works. And

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defending these people in the legal system but also a solid grasp of measured, commonsense investing practices.

Mougey offers the following tips for anyone who's worried about what to do next (or not to do, as the case may be) in the volatile coronavirus market: First, make sure both you and your financial advisor are fully engaged. You've almost certainly heard from your advisor by now. But is it just a mass email meant to calm you down, or are they truly leaning in? Do you get regular status updates? (Full-service brokerage firms should be contacting you every week or two, especially if you are heavy in stocks or using leverage.) Do you have a solid understanding of what they're recommending and why? Do you understand the math behind their advice? Mougey suggests asking questions like the following:

- What percentage of my portfolio is in stocks?
- What percentage is in bonds?
- If I were in 50 percent stocks and 50 percent bonds, how much would my portfolio be down right now?
- How does my performance stack up against broad market indices like the S&P 500 or Barclays U.S. Aggregate Bond Index?

"The performance of your portfolio should follow the performance of the broad market indices," says Mougey. "They are good benchmarks. The further you deviate from the broad market indices, the more often you need to talk to your advisor. That's true whether you're 20 or 70."

In general, start your analysis using the "age rule" (and if you are not, definitely understand why). Essentially, this means 100 minus your age should be in stocks. If you're 20, around 80 percent of your portfolio should be in stocks. If you're 80, around 20 percent should be in stocks. This simple formula is a good starting place for your conversation. For most of us, it's not too late to get our portfolio balanced,

asserts Mougey. "It's actually pretty simple: Stocks have higher volatility," he says.

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event happens when you're older, you've built up enough of a nest egg to be able to handle the volatility.

"The years 2000 to 2010 are another example of why you shouldn't wait 'til the last minute," he adds. "Over this entire decade, the stock market was flat. A person who waited until they were in their 50s to invest during this time period received no benefit. Invest early. Time is your friend." If you're middle aged (in your 40s and 50s), don't panic. Yes, it's extremely difficult to watch the rapid declines. You have time to recover, so don't get out of the market now. The Dow has declined 30 percent faster than at any other point in history. There has been a large bounce, but no one knows when we will recover. The problem with getting out and watching from the sidelines is you will invariably miss the bounce.

"But always ensure you are properly allocated to stocks and bonds, given your goals, before you just sit and watch the activity," he adds.

If you're retired and taking withdrawals, ask yourself: Can I afford to ride this out at my current rate? Keep in mind that we might be in the middle of the downspin. Back in 2000, a lot of investors believed we were at the bottom when the S&P had declined 10 percent. Then in 2001, it declined another 10 percent. Everyone thought, After two years of declines, there is no way we can have a third year, so we must be at the bottom. Then in 2002, it declined 20 percent.

The point, says Mougey, is that you never know where you are in the cycle. This is why you need to make sure you aren't taking too much in withdrawals. A sustainable withdrawal rate is 4-5 percent. If you're taking more than that, there's a risk of entering the "death spiral," and you might not recover. And the sustainable rate also holds true in good years.

"You can't take large withdrawals in good years, because there will always be

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portfolio is in stocks or concentrated in poor-performing sectors, you're probably now down 20-25 percent. So if you're down below \$100,000 because of withdrawals and losses and simply cannot afford to lose any more, you may want to get out of the market now. If you do decide to get out, you have two choices: go into bonds or go to cash. You can go into bonds and be pretty safe, but there's no absolute certainty. For example, in 2008, people still lost money in bonds. Also, if interest rates rise, bonds decline. The other option is to go to cash—perhaps in the form of a CD or just sitting in a savings account. Just don't think of this as a long-term option, says Mougey—inflation will eat away at the value of your money.

Finally, don't think you can predict tomorrow's hot stocks. We're seeing Clorox and Peloton and Netflix doing well. Their stocks are going crazy. But are you buying at the peak? Market timing doesn't really work well for most people.

"There are always hot stocks, but the sectors just change," says Mougey. "Bottom line, over the long-term, stock picking doesn't work."

One more thing: Make sure the conversations you're having with your financial advisor are calm and rational, says Mougey.

"They should be able to explain why their advice is research-backed and based on the performance of broad market indices," he adds. "They shouldn't just offer reassurance like 'stay the course.' The conversation has to be data-driven. If not, that's a red flag."

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