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STOP BORROWING TROUBLES AND ENJOY THE SUNSHINE

HOW TO WORRY-PROOF YOUR FINANCIAL PORTFOLIO

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There are a lot of stressful events happening in today's fast-paced world that make it easy to succumb to un-checked worry and fear. Thoughts of another tech bubble reminiscent of 2001, a housing correction similar to 2008 or a flash crash like 2010 can lead to indecision related to investment and financial planning choices. Daily news of political strife, election worries, taxes, trade wars, COVID-19, government shutdowns and more make it difficult not to be fearful about the future.

An unintended consequence of all this worry and fear is the potential to make emotional decisions that derail progress toward your financial goals. Fear and greed are two of the primary reasons many portfolios underperform compared to market indexes.[1] While it's natural to fear uncertainty, it's important to "worry-proof" your financial portfolio to avoid making emotional moves that can harm you down the road.

If you find yourself "borrowing trouble," that is, letting your mind run wild thinking, "What if X, Y or Z happens?" you may be especially vulnerable to making emotional financial decisions. As Morris West once said, "If you spend your whole life waiting for the storm, you'll never enjoy the sunshine."[2] The following tips can help you avoid borrowing trouble so you're in a position to worry-proof your portfolio.

1. Turn off the TV - The first step is to tune out the pundits who are bullish in the morning and bearish in the evening. Whether through social media, print or television, fear and greed sell advertising. Don't let these "talking heads" sow fear that negatively impacts your financial decisions.
2. Understand market cycles - It's important to establish a strategy to carry you through various market cycles. Following is an example of a typical market cycle and how it impacts investors' feelings. We tend to feel optimistic when markets are moving up and fearful when markets are pulling back. The key is to avoid the mistake of buying when prices are high and selling when prices are low. Having a long-term plan in place can help.

3. Work on self-awareness - Emotional intelligence means being aware that emotions can drive our behavior and learning how to manage those emotions for more positive outcomes.[3] Now that you're aware of the potential impact of fear on your investment decisions, you're in a position to manage that fear, weather market cycles and achieve a more positive outcome.
4. Have a plan - The best way to avoid borrowing trouble is to have a financial plan in place. A comprehensive financial plan encompasses where you are today and where you want to go. A qualified fiduciary advisor can help you develop a long-term strategy to provide you with the peace of mind of knowing your financial future is secure. At Creative Planning, our goal is to worry-proof your portfolio and ensure that the only reason you wake up at 2 am is to get a drink of water, not because you're concerned about your financial well-being.

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[1]https://www.thebalance.com/why-average-investors-earn-below-average-market-returns-2388519
[2]https://www.brainyquote.com/authors/morris-west-quotes
[3]https://www.ihhp.com/meaning-of-emotional-intelligence

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