

HOW TO BEHAVE DURING MARKET FLUCTUATIONS

Question: I am really stressed out with continued fluctuations in the stock market and it's impact on my investment funds. What can I do?

Answer: There's always risk associated with every investment decision, even if you decide not to invest at all. *(Even those who invest in GIC's have the investment risk of capital deterioration if interest rates are lower than inflationary rates)*

And, when the newspapers are filled with stories of a fluctuating Canadian dollar, an Asian crisis and a fragile worldwide financial system, not to mention ongoing happenings in the U.S., you have a right to question the safety of your investments.

Financial planners are trained to understand your concerns and they are there to help you build an investment portfolio that can ride the ups and downs of volatile markets.

Not unlike today, markets have a history of volatility. For example, in January 1981, the stock index in the U.S. fell by 25.8 per cent. By August 1982, it was back on the positive side. In October 1987, the Toronto Stock Exchange (formerly the TSE 300, now the TSX) dropped by over 22 per cent in the month of October, however, over the entire year it still finished up 5.9 per cent. In July 1990, the TSE dropped by 19.9 per cent. In less than five months, the TSE had gained it all back. Likewise, late 2008 and early 2009 showed similar losses and then, gains over the next 20 months.

You can help ensure your portfolio weathers these storms by staying focused on long-term goals, investing regularly, regardless of what the financial markets are doing, and maintaining a well-diversified portfolio.

Investment markets have, and will continue to have, ups and downs. But, with the help of your financial planner and a strategically-prepared portfolio, you can build an investment plan that may continue to meet your goals.

Bottom-line, stay put. If you are losing sleep over the swings, perhaps you are in the wrong investment area and need to reconsider.

Important information pertaining to investment funds is found in the segregated funds information folder or mutual fund's prospectus. Ask your financial planner and investment representative for a copy of these important documents and read them carefully before investing. Unit values and investment returns will fluctuate.

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