Staying Upbeat During Market Downturns

Sooner or later, it happens to most long-term investors: The portfolio you were counting on for your retirement gets caught in a bear market. You watch as stock values drop and your retirement plan statements pile up unopened on your desk.

At times like these, it pays to be disciplined and wait for the market to rebound. While past performance is no guarantee of future performance, historically, the stock market as a whole has always recovered from its losses. Of course, there is no guarantee that any particular stock or other investment will always rebound from a bear market.

No regrets. Sure, it would be great to know when stock prices have peaked so you could sell at a profit before a downturn. But so far, no one has figured out a market timing strategy that works 100% of the time. If you decide to get out of the market, you could miss out on substantial gains when prices start to rise again. The best strategy for a long-term investor is often to stay invested during periods of falling prices. Chances are good that you'll recoup any losses your portfolio suffers.

Your feelings won't help you. You've probably put a lot of time into developing an investment strategy that fits your needs. A market downturn is generally not the best time to abandon it. Think rationally about your investments and consult a financial professional. Decisions made when you are emotional are not always the wisest decisions.

A change may do you good. A market downturn may be a good time to look at how your money is invested and perhaps make changes to your asset allocation. Is your portfolio top-heavy in a particular sector? If so, think about reallocating some of your investments.

Everyone loves a bargain. A market downturn can be a lot like a storewide sale — your money buys more when prices are low. If you have extra cash, consider taking advantage of stock “bargains” while costs are down. But remember: Just because stocks are cheap doesn't mean they can't get a lot cheaper.