Take the emotion out of investing

Emotion often plays a major role in investment decisions. The following charts show emotional responses that an investor might experience during a typical market cycle, as their account value rises and falls.

The investing emotional rollercoaster

This chart shows the emotional highs and lows experienced over the course of a typical market cycle. A common mistake is to make decisions based on these emotions – to buy when markets are “hot” and to sell when they are declining. However, such behavior can result in a setback to saving for your retirement. Instead, not acting on the emotions and riding out the market cycle may be a good strategy.

There is no guarantee that any investment strategy will achieve its objectives.
Reducing the investing emotional extremes

By staying focused on your long-term retirement goals, you may reduce the peaks and valleys of investing. Following some simple strategies may help you cope with market uncertainty:

- Stay the course
- Diversify your portfolio
- Invest for the long-term
- Keep contributing

With a little knowledge and planning, emotions may be better managed and the impacts of uncertain markets may be reduced.