

Do's and Don'ts of Investing During a Crisis

The current crisis has many people more than a little nervous about investing. Wall Street appears to be struggling to get a handle on the ups and downs of the news cycle, and that makes people at all levels of experience more apprehensive about investing.

The following “do’s and don’ts tips” can help you not only avoid common mistakes during moments of crisis, but also help to keep you focused on the big picture rather than a brief snapshot of time in an investing lifetime.

Don't Make Drastic (or Sudden) Decisions

Sharp drops in the market are alarming — especially for those who have never witnessed such steep declines and have been more than a little spoiled by a few years of substantial growth. However, making sudden decisions to sell, without first consulting your financial advisor, could leave you facing tax penalties or other fees you may not expect, in addition to capital losses. Sometimes, it is better to ride out the storm and wait for the market to stabilize or recover before making significant financial decisions.

Do Assess Your Current Situation

Do you have sufficient cash on hand to ride out the storm? Will COVID-19 affect your income? If so, consider holding on to cash, for the moment, to weather this storm. Plan your expenses for the next few months to manage your bills. If you don't have enough cash on hand, consider making payment arrangements with lenders and other vendors BEFORE due dates.

Don't Follow Blanket Advice

Everyone has different needs. What is more urgent and pressing for someone planning to retire in the next five years is not nearly as relevant for someone who will not be retiring for 25 years or more. It's much easier to ride out the current financial crisis if you have time on your side. Keep that in mind before following advice meant for people who are facing imminent retirement.

Do Review Your Portfolio

Now is the perfect time to review your portfolio to make sure you have sufficient diversity and are investing in ventures that provide the greatest potential long-term growth and tax advantages for your situation. Working with your financial advisor can provide great insight and targeted advice to help your portfolio not only survive, but also be in the position to thrive once the current crisis is over.

Don't Watch the Markets

People have largely forgotten that the markets were brutal, not that long ago. The great recession of 2007-2009 had many people worried about the future of their portfolios. Recent years have made those previous worries dim memories for most, with record recoveries and a meteoric rise in stock market values. This too shall pass. Instead of watching the markets and worrying from home, work with your financial advisor to create a plan you can live with, then stick to it.

We're Here to Help!

Investing during a pandemic isn't for the faint-hearted. However, if you follow the advice above, you might discover, on the other side of the current crisis, that you have fared much better than anticipated by avoiding knee-jerk reactions, health-depriving stress, and the many pitfalls reactive investors fall into.

As your credit union, we understand the challenges you face when investing during a crisis. We live and work in the same community and are all too familiar with the uncertainty you're facing.

We have staff dedicated to helping you manage and grow your money in all situations. While the global pandemic is new to all of us, helping you make your money grow is what we do best.

Contact Aaron Welch, our Financial Planning Representative at 667-308-2724 to learn more about how we can help you invest wisely during a crisis.

Each individual's financial situation is unique and readers are encouraged to contact the Credit Union when seeking financial advice on the products and services discussed. This article is for educational purposes only; the authors assume no legal responsibility for the completeness or accuracy of the contents.

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