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# Retirement matters

Staying invested and giving your money the greatest chance to grow

Perhaps the most common investment advice is to stay invested. But with markets being so volatile, the ease of sticking to that advice has been sorely tested in 2020. Even though we've seen global markets bounce sharply from their March lows, understandably there will still be those investing for retirement who remain worried and wonder what the best approach is for the remainder of the year and beyond.

Depending on what stage of retirement planning you are currently at, if time is on your side, the evidence shows that remaining invested for the long term is one of the best things you can do for your overall retirement wealth. While it can be tempting to take money out of the market in the short term, it is highly likely to deliver lower overall returns.

## INFLUENCED BY MARKET SENTIMENT

It's important that your long-term investment objectives are at the forefront of your mind and you align your actions with them. Any dramatic changes to an investment stance in the current

environment is likely to be costly. It may make sense to consider doing things gradually or waiting for more stability.

Another consideration is that market liquidity can be poor in the current environment, which makes transactions potentially more expensive. With the omnipresent 24-hour media, it is too easy to become over-influenced by market sentiment, which makes decision-making with long-term consequences particularly difficult at times like this.

## DIVERSIFICATION

Investment diversification will also help protect your investments from adverse market conditions. Diversification can be neatly summed up: 'Don't

put all your eggs in one basket.' The idea is that if one investment loses money, the other investments will make up for those losses. It's one of the best ways to protect your investment portfolio from the many forms of risk. Diversification can't guarantee that your investments won't suffer during times of market volatility, but it can improve the chances that you won't lose money in the long term, or that if you do, it won't be as much as if you weren't diversified.

## PORTFOLIO REVIEW

Once the present coronavirus (COVID-19) crisis has subsided and market volatility has normalised, consider taking the opportunity to review your portfolio. Bear in mind that future income levels





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expected from the portfolio may have altered, for example, bond yields may have changed in either direction depending on credit rating, while future dividends from equities may be reduced at least temporarily, even if historical equity yields have risen.

### PENSION DRAWDOWN

There have been nearly twice as many people seeking pension drawdown advice according to Unbiased, as pension withdrawals have reached a new high in the wake of the coronavirus crisis. But those acting without professional financial advice risk making some big mistakes. If your pension fund has been diminished due to recent market events, only time will help it recover – and taking money from an already depressed investment reduces the potential for recovery in your portfolio. So be careful how much you take out of your pot while it is still invested, or consider suspending withdrawals.

### PATIENT INVESTOR

If appropriate to your particular situation, reacting to short-term market events by making dramatic portfolio changes makes it difficult to stay on course to achieve your investment goals. While many investors feel they have to do something during a market downturn, history shows that the

disciplined, patient investor will often be the one rewarded when markets return to their upward path. It's worth remembering that reacting to a market decline by selling an investment guarantees a loss that otherwise only existed on paper, and being out of the market can prevent you from participating in any gains when the markets bounce back. ■

### PROFESSIONAL FINANCIAL ADVICE IS AN ESSENTIAL PART OF THIS PLAN

Ultimately, you should always have a well-thought-out plan when investing. Receiving professional financial advice is an essential part of this plan. It's not possible to forecast with any certainty another market downturn, but we can say that the long-term evidence supports staying in the market, rather than trying to time your entry and exit. To find out more, please contact us.

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