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Ten tips for surviving volatile stock market

GUEST OPINION
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It's been a wild ride on Wall Street these past few months, and some investors are running scared.

If you have long-term portfolio with diversified investments, there should be no panic. The market is adjusting as it always has and always will. These fluctuations create opportunities for longer-term growth.

If you're knees still are buckling a bit when you open up the newspaper here are 10 practical tips for surviving a volatile stock market:

1. Dire predictions tend to increase as volatility soars, and the market is near its bottom. Avoid getting caught up in the hubbub, and don't let TV be the single source of your financial news.

2. Don't look at the performance of your portfolio on just a short-term basis. Look back on longer time frames, such as five to 10 years. A recent study showed that investors were more aggressive and performed better when given stock information on a five-year rolling return basis, rather than monthly or yearly results.

3. Look at your portfolio as a whole rather than pieces. The sense of volatility is reduced when you look at your whole diversity of holdings.

4. Make sure your portfolio is sufficiently diversified to weather the ups and downs of the market. Do you have a large position in an individual stock that needs to be diversified? Are you overloaded in one or two asset classes?

5. Look to rebalance your portfolio after big gains and losses. Be sure to maintain your target allocation. It is much harder to buy stock and funds when they have dropped, than to sell them if they have gone up. It's an effective way to guard against harsh corrections of your gainers and avoid missing out on comebacks by the losers. Also, as you rebalance, look for tax-loss harvesting opportunities.

6. Think of drops as a buying opportunity. Would you go to your favorite store if it had a 15 percent off sale? For example, you could contribute to an IRA or a Roth IRA. You could sign up for your 401(k) or increase your contributions. You could start a 529 plan for your child or grandchild.

7. Make sure your portfolio is set up in a tax-efficient manner for your specific tax situation by strategically locating certain asset classes in certain accounts.

8. Remember that your total return of your portfolio consists of two parts. The first is the price change of your investments, and the second part is the dividends, capital gains and interest you receive from your investments.

9. Remember that on average the stock market has returned about 10 percent annually since 1926, and that volatility is part of investing. Also remember that 10 percent drops are quite common, and they occur approximately once a year.

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10. Use this time to evaluate your estate plan. If you make sure that your estate plan is up to date, it could possibly save you a lot in taxes.

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