

Should You Sell When the Market Drops? — Video Transcript

The stock market can sometimes take investors on a wild ride. Should you consider selling your stocks when the market drops?

When investing for retirement or any other long-term goal, you will almost certainly experience nerve-wracking times when your stock investments lose value. During these periods, you may wonder, “Should I sell now, invest the proceeds in lower-risk investments, and reinvest in stocks later, when things calm down?”

Trying to determine the best times to buy and sell investments is known as market timing, a strategy that can be challenging for even the most experienced investors. That is why market timing may not be the wisest strategy for most of us. Consider the following points.

One. You could miss out on the market’s best-performing cycles. Unless you have a crystal ball, you’ll never know when the market may bounce back. By selling during a downturn and keeping the money on the sidelines, you risk missing out on the market’s best-performing days. If you miss many days of strong performance, it could have a significant negative impact on your portfolio over time. It could also result in high stress levels as you struggle to chase market returns.

Two. By selling during a downturn, you turn a paper loss into a real loss. Think about it for a minute. During a downturn, your investments will be in the midst of a dip in value, but you haven’t actually *captured* any loss in your portfolio until you actually *sell* your investments. On the other hand, if you’re patient and allow stocks to ride out the dip, there is a chance they will regain value and move on to future potential growth.

Three. A long-term time horizon can be one of your best investing allies. Investments often have periods of downturns and, yes, sometimes very dramatic losses, including the possible loss of principal. But over time, they also typically have periods of upswings. If you have a long time before you will need the money, say 10 years or more, you may be able to hold steady through the dips in pursuit of your longer-term goals.

Even knowing these points, staying focused during trying times can be hard, especially if your retirement savings account is one of your biggest financial assets. If you find yourself losing sleep during market downturns, it may be time to get some guidance.

A qualified financial professional can help you take fear out of the equation and make an appropriate decision based on your unique needs and circumstances.

There can be no assurance that working with a financial professional can guarantee investment success.