Pulse of the market

Volatility and returns: a fundamental part of being a good investor

Understanding the interaction between volatility and returns is a fundamental part of being a good investor. This is especially important at times such as now when we've seen daily sizeable swings in market values as global markets try to get to grips with the fallout from the coronavirus **(COVID-19)** outbreak.

As you work towards your investing goals – whether that's planning for retirement, funding your children's education or making a large purchase – it is important to understand the relationship between the two and find a balance that works for you.

If the financial markets have taught us anything over the long term, it is that upward markets are often followed by corresponding downward markets, and vice versa. It's called 'volatility', and it always has been, and always will be, the pulse of the market. ■

1 DOWN MARKETS MAY PRESENT BUYING OPPORTUNITIES

Market swings are common and can be unnerving, but down markets may present buying opportunities. Buying while prices are low may allow investors to reap the rewards later.

2 MANAGE VOLATILITY THROUGH EFFECTIVE MANAGEMENT AND PLANNING

The keys to weathering market volatility include maintaining realistic return expectations, taking a long-term investment approach, avoiding market timing, and diversifying your assets.

3 MAINTAIN A FOCUS ON LONG-TERM GOALS

By learning how to navigate the ups and downs of the market, you can put market volatility into better perspective to help remain focused on your long-term goals.