Don't be your own worst enemy

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Market Pulse

Investing can be stressful, and one can see why. In late 2008 and into 2009 investors watched stocks fall day after day, and not by a little. Many investors couldn't take the stress – they sold and swore off stocks.

Since then the market has risen for seven straight years and more than doubled. Watching a stock you sold for $10 trade at $50 is stressful, too. Investors must manage stress. Here's how:

Just as individuals shouldn't make major life decisions during times of high stress (getting divorced, losing a loved one, etc.), investors shouldn't make major portfolio changes when emotions run high. Instead, have a long-term plan and don't deviate based on emotional swings.

Don't be distracted by the financial media. They have bullish analysts appear on days when the market hits new highs and they feature the perma-bears after the market drops for a few weeks. The 24-hour cable news channels don't help with decision making either.

Their constant chatter about everything that is wrong can be emotionally draining. Remember how the media scared investors out of stocks last year with talks of Ebola airborne transmission and widespread U.S. casualties? Those addicted to far left and far right news channels are watching for affirmation, not information.

Some believe they must monitor their portfolio each day. While day-traders might monitor portfolios daily, most investors are better off with a more hands-off approach.

Investors often make major portfolio decisions when volatility is high, selling after a big market drop or buying after an advance.

There is a valley after every mountain, so once volatility is reduced you can re-assess your risk tolerance and portfolio construction. I don't place trades when the Dow is moving by more than 200 points in either direction.

As an investment adviser, assessing a client's risk tolerance is extremely important. Their comfort level is paramount, not mine.

By holding appropriate securities, emotional highs and lows are minimized, but still present. By reducing distractions and focusing on long-term goals, investors can avoid becoming their own worst enemy.

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