Three key insights for withstanding market volatility

At any stage of your life, a well-constructed financial plan can help you enjoy today, while also preparing for tomorrow. But what happens when market volatility inevitably comes around?

It's easy for emotions to take over during times of increased market swings. However, it's generally best to stick to the plan you've put in place. The three time-tested investment strategies in this guide will give you the confidence to stay invested and help reach your long-term goals.

1. Accept the lows, enjoy the highs

To understand the ups and downs, it's helpful to take a look at the past. The graph below shows the intra-year declines versus the calendar year returns for the *Canada S&P/TSX Composite* since 1985[1].

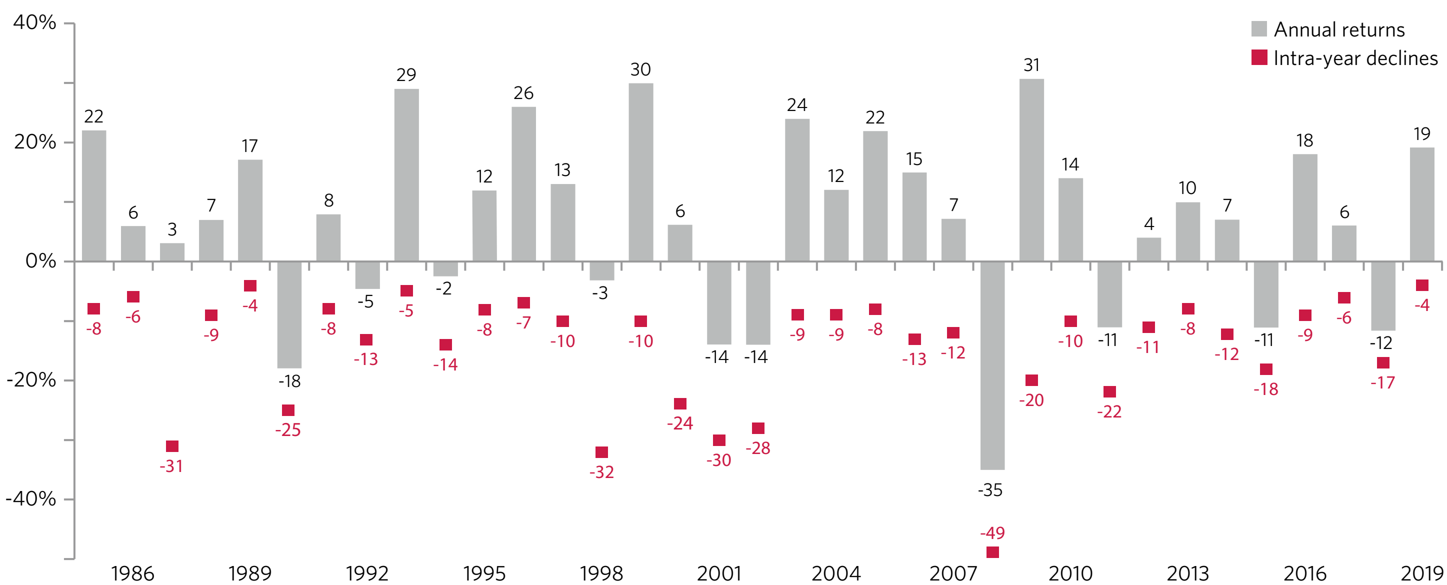
For example, in 2009, as the world was recovering from the great financial crisis, there was an intra-year decline of -20%, however the market gained 31% for the year. A decade later in 2019, there was an intra-year decline of only -4%, and the market gained 19% for the year.

This graph shows intra-year drops in all 35 years with an average intra-year drop of -14.6%. However, what's important is that the annual returns were positive in 25 of 35 years, and the average annual return from 1985 to 2019 was 5.8%.

What's the difference?

Intra-year decline is the difference between the highest and lowest points in time in the market in a particular year.

Annual return is the total rate of return in a given calendar year (January 1 to December 31).



The bottom line: It's important to accept – and expect – that market volatility is a normal part of investing and the value of your investment will change from time to time. **Remember, to enjoy the highs, you have to remain invested during the lows**. When you're in it for the long-term, that's what really counts.

2. Invest regularly

Did you know that there's a way you can use market volatility in your favour? **Dollar-cost averaging** is a long-term strategy that takes advantage of market volatility and price fluctuations. This generally lowers the average cost of investment units. It also reduces the temptation to try to buy low and sell high and is easy to do through a **regular investment plan.**

Here's how it works: By investing a fixed amount in the same investment portfolio at set intervals over the long term, you automatically pick up more units when prices dip and fewer units when prices rise. As a result, the average cost of your investment is driven down.

Month	Amount invested	Unit price	Number of units acquired
January	$500	$10	50
February	$500	$5	100
March	$500	$15	33

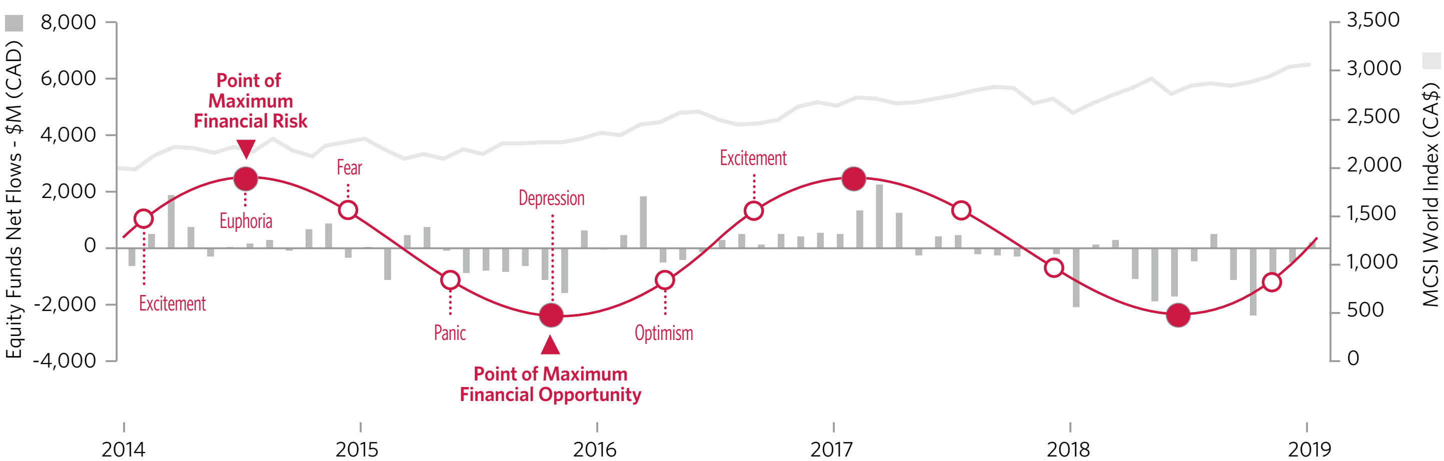
In this simple example, the average price per unit over the 3 months is $10. However, the average cost per unit for you is less — only $8.20 (total amount invested divided by the total number of units acquired).

The bottom line: History has shown that markets rise over the long term, but fluctuate in the short term. With a regular investment plan in place, when markets recover, you'll end up holding a greater number of units at **higher values**.

3. Stay invested

It's common for investors to be emotional during times of market volatility. However, investors who exit volatile markets or try to market-time will miss out on sudden advances. Instead of letting your emotions rule your investments, **let time rule in its place.**

The emotional roller coaster of investing[2]



The bottom line: The secret to rational investing is to **stick to a long-term investment strategy**, as short-term market timing rarely proves effective. As the old adage goes, **"this too shall pass."**

Short-term market volatility doesn't change the goals and ambitions that you're seeking to achieve. Contact us today to get – or stay – invested to help you get to where you want to be.

[1] Source: FactSet, Standard & Poor's/Toronto Stock Exchange, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1985 to 2019, over which time period the average annual return was 5.8%. Canada Market and Economic Update - Data are as of January 31, 2020.

[2] Source: MSCI World Index Price Level in CAD dollars: CIBC Asset Management Performance (Bloomberg); Equity Fund Net Flows: CIBC, December 2019; Westcore Funds/Denver Investment Advisers LLC.

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