What Investors Can – And Can't – Control

As an investor, you can easily feel frustrated to see short-term drops in your investment statements. But while you cannot control the market, you may find it helpful to review the factors you can control.

Many forces affect the financial markets, including geopolitical events, corporate profits and interest rate movements – forces beyond the control of most individual investors.

In any case, it's important to focus on the things you can control, such as these:

• *Your ability to define your goals* – One area in which you have total control is your ability to define your goals. Like most people, you probably have short-term goals – such as saving for a new car or a dream vacation – and long-term ones, such as a comfortable retirement. Once you identify your goals and estimate how much they will cost, you can create an investment strategy to help achieve them. Over time, some of your personal circumstances will likely change, so you'll want to review your time horizon and risk tolerance on a regular basis, adjusting your strategy when appropriate. And the same is true for your goals – they may evolve over time, requiring new responses from you in how you invest.

• *Your response to market downturns* – When the market drops and the value of your investments declines, you might be tempted to take immediate action in an effort to stop the losses. This is understandable – after all, your investment results can have a big impact on your future. However, acting hastily could work against you – for example, you could sell investments that still have solid fundamentals and are still appropriate for your needs. If you can avoid decisions based on short-term events, you may help yourself in the long run.

• *Your commitment to investing* – The financial markets are almost always in flux, and their movements are hard to predict. If you can continue investing in all markets – good, bad or sideways – you will likely make much better progress toward your goals than if you periodically were to take a "time out." Many people head to the investment sidelines when the market tumbles, only to miss out on the beginnings of the next rally. And by steadily investing, you will increase the number of shares you own in your investments – and the larger your ownership stake, the greater your opportunities for building wealth.

• *Your portfolio's level of diversification* – While diversification itself can't guarantee profits or protect against all losses, it can help greatly reduce the impact of market volatility on your portfolio. Just how you diversify your investments depends on several factors, but the general principle of maintaining a diversified portfolio should govern your approach to investing. It's a good idea to periodically review your portfolio to ensure it's still properly diversified.

The world will always be filled with unpredictable, uncontrollable events, and many of them will affect the financial markets to one degree or another. But within your own investment world, you always have a great deal of control – and with it, you have the power to keep moving toward all your important financial objectives.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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