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Volatile Economy = Investor Fatigue

By admin

Investors are becoming increasingly exhausted trying to follow the seemingly never-ending bad global economic news. Overseas markets have put a strain on Canada even though we are more stable, economically, than most other countries in the world.

Crystal balls are in short supply resulting in increased skepticism and general feeling of 'Is this downturn ever going to end?' The uncertainty has investors reeling - leading them to make judgements with their portfolios that they wouldn't normally exercise.

Baby Boomers Getting Nervous

As the generation of citizens nearing the verge of retirement try to determine the best path to follow, panic-based decisions are being made by some investors. Baby Boomers have worked hard to maximize their RRSP only to wonder if it is wise to leave their money where it is, or potentially make a rash decision to move it into a so-called **safe position**. There are many who have sold their equities and converted their lifelong dream into a fixed income investment. But they may have lost money in the process.

The constant reporting of doom and gloom in the media sometimes overshadows any positive economic news. It is well known that an economic downturn can be a catalyst for governments and corporations to get their financial ducks in a row. However, predicting how long the eventual upturn will be makes many investors uneasy.

Take a Cautious Approach

Those that have invested long-term have still benefited from equity investment returns, even in the past 10 or 12 years. Investors that have utilized dollar-cost averaging have a certain amount of leverage visible within their portfolios. Contributing to these funds on a monthly basis allows you to buy more units when the fund is down and recognize larger gains when the equity funds rise again.

The ultimate purpose of an RRSP is to have a sufficient amount of retirement income that you cannot outlive. Even with the current volatility of the markets, it is necessary to stay focussed on the long-term goal. Regularly reviewing your goals with your financial advisor may prompt you to make minor positive adjustments rather than drastic changes.

Before making any damaging decisions with your RRSP - like converting your life savings into a fixed income investment - make sure you are looking at your entire portfolio. Savings accounts, real estate, vehicles, etc., all round out your portfolio. A financial advisor can help you look at the big picture and avoid making risky investment moves.

Questions about investment planning?

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