How to Navigate Volatility in Your Retirement Plan

The stock markets are up one day, down the next, and headlines are screaming “doom and gloom.” Among the day-to-day noise and uncertainty, it can be hard to tell which way is up, let alone make informed decisions about your retirement savings.

For some clarity, step back and consider the line graph below of the S&P 500, an index measuring the stock performance of top U.S. companies. In 1995, it was at 500 points. Today, it’s close to 6,000. Seems like a big gain, right?

S&P 500 Index 1990-2024

Chart showing S&P 500 performance 1990–2024 (Source: Curvo, January 3, 2025)

It certainly is, but if you look closer, those gains aren’t a straight line. There were many peaks and valleys, dips and corrections over the last three decades. We call these short-term changes “volatility.”

During times of negative volatility (when prices go down), many investors get nervous, which is natural. Research by Daniel Kahneman and Amos Tversky shows that the **hurt of losses feels about twice as bad compared to gains or wins.**[1] That’s why, when you lose your favorite sunglasses, it can nag at you for days, whereas when you find them, you’re happy, but that good feeling doesn’t last.

When investing for retirement, the stakes can feel big, and the emotional gut-punch of a loss can be extremely painful. Looking back at the S&P 500 chart might be comforting, however. While there have been hundreds of down weeks since the index started, the overall gains have been exceptionally good. To earn them, though, investors had to weather some significant rough patches.

To stay strong amid volatile markets requires:

- Perspective
- Focusing on your goals
- Having the right support

Seek Perspective

Volatility *will* happen. Over the life of your 401(k), there will be periods that give you heartburn. That's normal, so remain patient and don't do something reckless like pulling all your money out of the stock market.

Keeping perspective might mean that instead of checking investments daily, check in once a month or once a quarter instead. If you have a balanced portfolio and a thoughtful plan for how your savings will help you retire the way you want, you don't need to fuss over what happens each day. And if you see something about your portfolio that does make you nervous, reach out to a Fisher\SMB Retirement Specialist, who can help you decide whether it is time to adjust your plan.

Focus on Goals

Short-term gains and losses aren't what saving is about because your time to retirement is often measured in decades, not weeks. The ultimate goal is for the money you save to grow and be there when you're ready to retire. A bad week in the market is typically not going to break you.

People who lose sight of their goals are more likely to start chasing the rollercoaster of ups and downs that inherently come with the stock market. The problem with that approach is it's hard to stay on top of the day-to-day market changes to be effective. You might jump at an inopportune moment when buying or selling an investment, causing you to miss out on profits with each transaction.

Trust the asset allocations you set up with your retirement advisor. Over time, your diverse portfolio has a better chance of delivering the returns you need than a portfolio that's reactive to short-term impulses. And if your life or goals change, say you get married or have a child, that's a good time to meet with your advisor. They can help you take a fresh look at how you're investing so that you're still making progress toward the retirement you want.

---

[1] https://www.investopedia.com/terms/p/prospecttheory.asp