



Keeping your spirits (and savings) up when markets are down

by Common Wealth
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3 steps to help keep your savings plan on track

Even if you're not the type of person who reads financial news, you know by now that this year's market returns so far haven't exactly been... stellar.

While market performance was strong during the last part of 2021, since the beginning of 2022 we've seen a 23% drop in the S&P 500, a stock market index of some of the world's largest companies. Canadian stocks have fallen by less, but they are also down. And thanks to rising interest rates, bonds have taken a hit, too, with some fixed income indices dropped by over 12% so far this year.

It's easy to feel good about investing when markets are going strong. But when your retirement savings journey gets bumpy, it's normal to wonder if you should change your strategy or stop saving altogether.

The good news is that despite the current downturn, the target date funds in your Common Wealth plan are a research-proven strategy for growing your retirement wealth.

Here are 3 steps to help you keep your retirement savings on track, even when the road may seem bumpy.

1. Don't hit the panic button

When markets go down, your reaction may have you wanting to pull your money out of the stock market and jump back in when rates of return start going up. While this approach seems intuitive, it rarely works. Even professional investors are rarely able to time the market in this way. If you pull money out, there is a good chance you will miss out on the recovery when it happens. Recent analysis by J.P. Morgan found that if an investor had missed out on the 10 best days of market returns during the past 20 years, they would end up with less than half as much money than if they had stayed invested.

Most long-term investment growth comes from being invested in the stock market, and by keeping your money invested, you benefit right away when the market recovers.

Research from The Wharton School has shown that keeping more of your money invested in the market, for a longer period of time, is one of the reasons why target date funds are an effective way to grow your retirement wealth. If you're saving in your Common Wealth plan and your money is invested in the LifePath target date fund that matches your expected retirement age, you don't likely need to change your investment strategy.

2. Keep your savings automatic

One easy way to take the emotions out of investing is to set up automatic contributions so that you're saving set amounts throughout the year. This approach is called dollar-cost averaging, and it helps you take advantage of buying into the market when prices are lower (as they are now), in balance with investing when share prices are higher.

Your Common Wealth plan helps you take your gut instincts out of the equation by allowing you to contribute directly from your paycheck, through automatic bank account contributions, or both. You can also use the auto-escalation feature to increase your contributions every year, which can help you reach your retirement savings goal faster.

3. Stay diversified

Investments don't all go up or down at the same time, or by the same amount.

Managed by BlackRock®, the world's largest asset manager, the LifePath funds in your Common Wealth plan are built to minimize the impact of market downturns by diversifying across more than 10,000 investment types, including stocks, bonds, real estate and infrastructure. These funds are structured to grow more during your working years and shift towards lower-risk investments as you get closer to retirement.

Remember: Market downturns are normal – and temporary

Even with periods of volatility, markets tend to rise over the long term. And, for most people, investing for retirement is a very long game.

At Common Wealth, we believe that the best way to save for retirement is to have a plan and stick to it. By *plan*, we mean having a retirement income goal, saving regularly towards that goal, increasing your savings when you can, investing in a smart, low-fee portfolio, and adjusting your plan as your life changes.

Your Common Wealth plan is designed to help you stick to your plan, and staying invested is your best strategy for turning that plan into reality.