Riding the market waves

Don't let share market volatility get you off course with your superannuation investment strategy.

Market volatility

Market downturns can make anyone nervous, but sticking to your investment strategy is key.

If you move your investments to cash or a more conservative option after the market has fallen, you're effectively locking in your losses. Decisions driven by fear are rarely the right ones, and acting impulsively can be costly. It is also very difficult (if not impossible) to correctly time the market, so if you're planning to switch back to growth assets before the market recovers, this might see you miss out on the rebound.

A more optimistic view of a falling market is that your regular superannuation contributions are buying assets at a lower price. When the market eventually recovers, those assets purchased during the downturn can significantly increase in value.

Don't panic and stay the course

Riding the ups and downs of financial markets is an inherent aspect of investing.

Although market volatility can be stressful, particularly for those nearing or in retirement, it's crucial to keep a long-term perspective and stick to your investment strategy (assuming it still meets your needs). Even those approaching retirement, or already retired, still have many years of investing ahead.

And if like most people your superannuation benefits are invested in a balanced or growth option, diversification plays a key role in shielding your balance from extreme market swings. That in turn allows you to have a diversified position and be confident that your superannuation can stay the course over time.

For those in a large APRA-regulated fund, most funds have pre-mixed diversified options for you to choose from. Otherwise if you have your own SMSF, you'll need to ensure your investment strategy factors in a range of requirements such as diversification, the risk and return in making investments, and so on. As trustee or director of your fund, you will need to manage this yourself or seek advice from a licensed financial adviser who can assist you in developing a compliant strategy that is tailored to your fund and members' circumstances.

But if market volatility continues to keep you up at night, it might be wise to check your investments and superannuation balance less often. By focusing on the long-term rather than daily fluctuations, you'll have a clearer perspective on your financial progress without unnecessary worry.

The last word

As the investment saying goes, "it's not about timing the market, it's about time in the market". The key takeaway is to stay patient, adhere to the fundamental principles of diversification and asset allocation, and as always, don't hesitate to seek advice if you need it.