Nine points to consider before you make investment decisions

Given the recent stock market trends, you may be wondering whether you should make changes to your investment portfolio. At times some investors, including bargain hunters and mattress stuffers, make rapid investment decisions without considering their long-term financial goals. While we can't tell you how to manage your investment portfolio during a volatile market, the article will address investor alerts to give you the tools to make an informed decision. Before you make any decision, consider these areas of importance:

1. **Draw a personal financial roadmap.**

Before you make any investing decision, sit down and take an honest look at your entire financial situation -- especially if you've never made a financial plan before.

The first step to successful investing is figuring out your goals and risk tolerance – either on your own or with the help of a financial professional. There is no guarantee that you'll make money from your investments. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of managing your money.

2. **Evaluate your comfort zone in taking on risk.**

All investments involve some degree of risk. If you intend to purchase securities - such as stocks, it's important that you understand before you invest that you could lose some or all of your money. The reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. The principal concern for individuals investing in cash equivalents is inflation risk, which is the risk that inflation will outpace and erode returns over time.

3. **Consider an appropriate mix of investments.**

By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can help protect against significant losses. Market conditions that cause one type of stock to do well often causes another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be in a position to counteract your losses in that asset category with better investment returns in another asset category.

In addition, asset allocation is important because it has major impact on whether you will meet your financial goal. If you don't include enough risk in your portfolio, your investments may not earn a large enough return to meet your goal. For example, if you are saving for a long-term goal, such as retirement or college, most financial experts agree that you will likely need to include at least some stock or stock mutual funds in your portfolio.

4. **Create and maintain an emergency fund.**

Most smart investors put enough money in a savings product to cover an emergency, like sudden unemployment. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it.

5. **Pay off high interest credit card debt.**

There is no investment strategy anywhere that pays off as well as, or with less risk than, merely paying off all high interest debt you may have. If you owe money on high interest credit cards, the wisest thing you can do under any market conditions is to pay off the balance in full as quickly as possible.

6. **Consider averaging.**

Through the investment strategy known as "averaging," you can protect yourself from the risk of investing all of your money at the wrong time by following a consistent pattern of adding new money to your investment over a long period of time. By making regular investments with the same amount of money each time, you will buy more of an investment when its price is low and less of the investment when its price is high. .

7. **Consider rebalancing portfolio occasionally.**

Rebalancing is bringing your portfolio back to your original asset allocation mix. By rebalancing, you'll ensure that your portfolio does not overemphasize one or more asset categories, and you'll return your portfolio to a comfortable level of risk.

8. **Stick with Your Plan: Buy Low, Sell High** –

Shifting money away from an asset category when it is doing well in favor an asset category that is doing poorly may not be easy, but it can be a wise move. By cutting back on the current "winners" and adding more of the current so-called "losers," rebalancing forces you to buy low and sell high.

You can rebalance your portfolio based either on the calendar or on your investments. Many financial experts recommend that investors rebalance their portfolios on a regular time interval, such as every six or twelve months. The advantage of this method is that the calendar is a reminder of when you should consider rebalancing. Others recommend rebalancing only when the relative weight of an asset class increases or decreases more than a certain percentage that you've identified in advance. The advantage of this method is that your investments tell you when to rebalance. In either case, rebalancing tends to work best when done on a relatively infrequent basis.

9. Avoid circumstances that can lead to fraud.

Scam artists read the headlines, too. Often, they'll use a highly publicized news item to lure potential investors and make their "opportunity" sound more legitimate. The SEC recommends that you ask questions and check out the answers with an unbiased source before you invest. Always take your time and talk to trusted friends and family members before investing.

https://www.sec.gov/investor/pubs/tenthingstoconsider.htm