Take The Emotion Out of Your Investing

We all know the trouble you can get into by letting your emotions influence your investment decisions. So what can you do to keep your head?

Stick to your asset allocation.
Your best chance of long-term investing success may be to allocate your money among the different asset classes (stock funds, bond funds, guaranteed investment contracts or stable value funds, and money market funds) according to the mix of growth, income, safety and risk that suits you best. Once you have an allocation that works for you, stick to it. Don't make changes in response to short-term moves in the market; make changes because something basic in your life has changed.

Make the most of dollar-cost averaging.
Keep investing fixed amounts of money at regular intervals regardless of whether the market is up or down. Your money buys fewer shares when prices are high and at risk of falling, and more shares when prices are low and likely to rise. Contributing the same amount to your retirement-savings plan through regular payroll deductions makes dollar-cost averaging automatic.

Dollar-cost averaging does not assure a profit and does not protect against market loss. This type of investment involves continuous investment in securities regardless of fluctuating price levels, so investors should consider their financial ability to continue their purchases through periods of both high and low price levels.

Keep track of your investments.
Not every investment will work out as you hoped. If a fund in which you own shares has not lived up to your expectations for more than two years and you decide to sell your current holdings, reallocate future contributions or do both, you will be making your decision with your intelligence, not your emotions.

Remember stock-market history.
When stocks are soaring, it's easy to think they'll soar forever; when they're down, it's easy to think they'll never go up. But when you feel that way, your emotions have taken over. Don't focus on short-term ups and downs. Keep your eye on how well stocks have performed over the long-term.

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