

4 powerful ways to build investing confidence

Introduction

Emotions always play a role in investing. We're human. It's just how we roll. For some investors, especially newer ones, it can be hard to separate the idea of investing from "losing it all." If you're anxious or insecure about your investing plan, you could make heat-of-the-moment decisions during market downturns that might not be best for your long-term goals. That's why it's important to acknowledge those nerves early and make sure your emotions are working for you when you invest, not against you. Here are some tips that can help you build confidence in your investing approach, no matter what the markets are doing.

Consider dollar-cost averaging

Say you have a large lump sum of money to invest. Maybe it was an inheritance or a gift. Or maybe you found \$50,000 in your couch cushions (hey, what if?). If you're very risk averse, one of the first thoughts you might have is "what if I invest all this money at once, and the market drops right after?" If that sounds like you, dollar-cost averaging might bring you some peace of mind. Dollar-cost averaging means buying a fixed dollar amount of a particular investment on a regular schedule, no matter what its share price is at each interval. Since you're investing the same amount each time, you automatically end up buying more shares when prices are low and fewer shares when prices rise. This can help you avoid that potential buyer's remorse of investing a lump-sum amount when prices are at their peak. Incremental investing is one way to help you get comfortable with the market's natural movement, and it can be especially helpful for self-identified worriers.

Make saving automatic

Some investors worry they're not saving enough to reach their long-term goals—or that they're not doing enough to keep their financial lives on track. You can take some of that uncertainty out of the equation by setting your savings on autopilot. Put a percentage of each paycheck or your annual salary into your investment accounts. You'll be taking positive action to stay on track—and that's a great feeling!

Diversify your investments

Diversifying your portfolio is one way to help control risk. It's a fancy way to describe putting your eggs in many baskets—or in this case, putting your money into high-, moderate-, and low-risk investments, both domestic and international. Your portfolio will still have the growth potential that comes from higher-risk stocks, but you won't be as vulnerable during market downturns because you'll ideally also hold safer investments like bonds and cash. The breakdown of stocks, bonds, and cash in your portfolio determines how much risk you take on when you invest, and you have the freedom and flexibility to choose a mix that feels right for your life.

Think long term

Successful investing isn't about reacting to today's news or to the latest trends bubbling up on social media. It's about letting your long-term goals guide your financial choices. That's what inspired you to invest in the first place! You might be tempted to pull your money out of the market during periods of volatility. But if you do that and reinvest when the markets calm down, you could end up farther away from your goal. Why? Because your investments lose the power of compounding. And while a measured, disciplined investing approach isn't always easy, it can be worth it in the end.

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And remember: Strong financial plans are built with market volatility in mind. If you diversify your holdings, invest regularly, and stay focused on your big-picture goals, you can feel confident that you're doing your part to set your portfolio up for success—and set yourself up for ongoing financial wellness.

Note:

- All investing is subject to risk, including the possible loss of the money you invest.

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