HEAD OFF ON THAT HOLIDAY AND LEAVE OTHERS TO WORRY ABOUT YET ANOTHER MELTDOWN, SAYS EXPERT

Take long-term view and ignore the noise, investors told

COMMENT
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Here we go again. Stock markets around the world are said to be in "meltdown" – whatever that means – and the pundits would have us all rush out, sell shares and speculate on gold, which is at a record high price.

But what does all this renewed volatility mean for investors saving money in pensions, individual savings accounts and other long-term savings plans?

And what does it mean for the speculator?

Investors have seen this before in 1974, 1987, 1999, 2001, 2003 and 2008. Stock markets falling sharply is nothing new – the people who tend to lose are those who take a very short-term view and sell out, typically missing the recovery which follows.

Most investors will have a long-term plan and will understand that investments do not go up in a straight line.

Unexpected events come along from time to time and knock plans off course, but this is part of investing.

Risk and return are related – if you are seeking higher returns, then you should be prepared for the down periods too.

The winners, as always, will be those who buy shares at lower prices now for the long term or simply hold their nerve and stay invested.

Most investors will have built-in protection in their pensions and investments through good-quality fixed-interest securities as well – a strong foundation is critical at times like this.

Investing in fixed interest as well as shares serves to provide some security to you during periods when shares are in difficulty.

Share portfolios are also likely to be widely diversified geographically and in perhaps hundreds or thousands of different types of company to further spread the risk.

I have dealt over the years with many individuals who have taken the decision to sell out either because they have felt prices were too high or Armageddon was round the corner.

The idea of course was to buy back in when prices represented good value again and profit from selling high and buying low.

The trouble is that, without exception, they are still not invested and can't decide when the right time to invest again is.

For speculators who try to predict the direction of markets and individual shares in an attempt to make short-term money, this will be a very difficult time.

My advice is to focus on your longer-term plan and ignore what is short-term "noise".

Let your advisers worry about what is happening in world investment markets and take such anxiety out of your hands.

How will this worldwide turmoil affect anyone going on holiday? I think it just serves to remind us that life's too short to be worrying about short-term share values – go on holiday, enjoy the sunshine and don't give your pensions or investments a moment's thought because two weeks in the life of your financial plan means very little.

As for currency movements due to the financial volatility, this isn't something you can control, influence or predict so don't spend time worrying about it – the price you pay for things on your holiday will be what they are, whether you worry or not.

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