Three Things For Anxious Investors To Know In Market Sell-Off

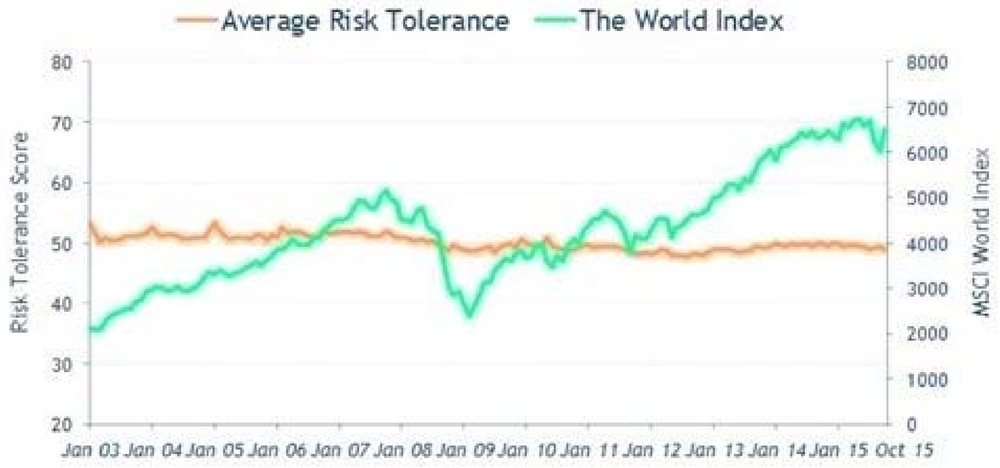
SYDNEY (February 1, 2016) – FinaMetrica, the global risk and suitability expert, says if you are an investor, there are three key things to think about when share markets sell off to avoid panic selling or knee-jerk reactions that could dent your wealth over the long term.

By the time the bad news is being reported, it is typically too late to take effective action. Here are three things to consider now if you are an anxious investor.

Number 1: Stick to your guns
If you have a portfolio mix that you devised when you were in a calm and rational state or agreed to with your advisor, then now that markets are volatile is unlikely to be a good time to change that mix. Ideally you will have a portfolio that takes into account your risk tolerance, as well as your financial needs. If you feel you must trade, don't read the newspaper headlines screaming market devastation and historical drops, or fantastic buying opportunities for 48 hours before you act.

Number 2: Stay diversified
Most news reporting in market downturns focuses on the most dramatic. The emphasis is on the largest drops in both percentage and dollar terms. Many investors on the other hand own portfolios with a broad level of diversification. The volatility in their portfolios will be very different, and much less violent than the particular shares or asset classes reported in the news.

Number 3: Know your risk tolerance
The important point to know and understand is that your risk tolerance is generally stable over time and doesn't tend to fluctuate with changing markets. What changes as markets move is typically investors' risk behavior driven by their perceptions of risk, not their risk tolerance. Notice from the chart below how little it changed through the market crash of 2007-08.



“What we've learned since we launched FinaMetrica in 1998 is that in times like these when markets are selling off, risk averse investors often become overwhelmed by anxiety and sell down shares out of their portfolio - to their loss over the long run,” said FinaMetrica co-founder and director Paul Resnik.

“Specifically, risk intolerant investors cash-out of companies that haven't dropped greatly but hold on to the ones who have taken the biggest falls hoping for them to recover. They sell winners and hold losers! History shows that these are often decisions they, and their portfolios, later regret.”

About FinaMetrica

Advisors rely on FinaMetrica’s award-winning risk profiling process to help clients stay invested and achieve their financial goals by delivering suitable investment advice. Launched in 1998 and proven through market cycles, FinaMetrica is used by thousands of leading advisors around the globe to scientifically assess their clients’ risk tolerance, incorporate those assessments into the financial planning process and frame expectations more realistically. Almost a million FinaMetrica risk tolerance tests have been completed to date. For further details visit www.riskprofiling.com

CONTACT
Nicki Bourlioufas
FinaMetrica
0411 786 933
nicki.bourlioufas@finametrica.com

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