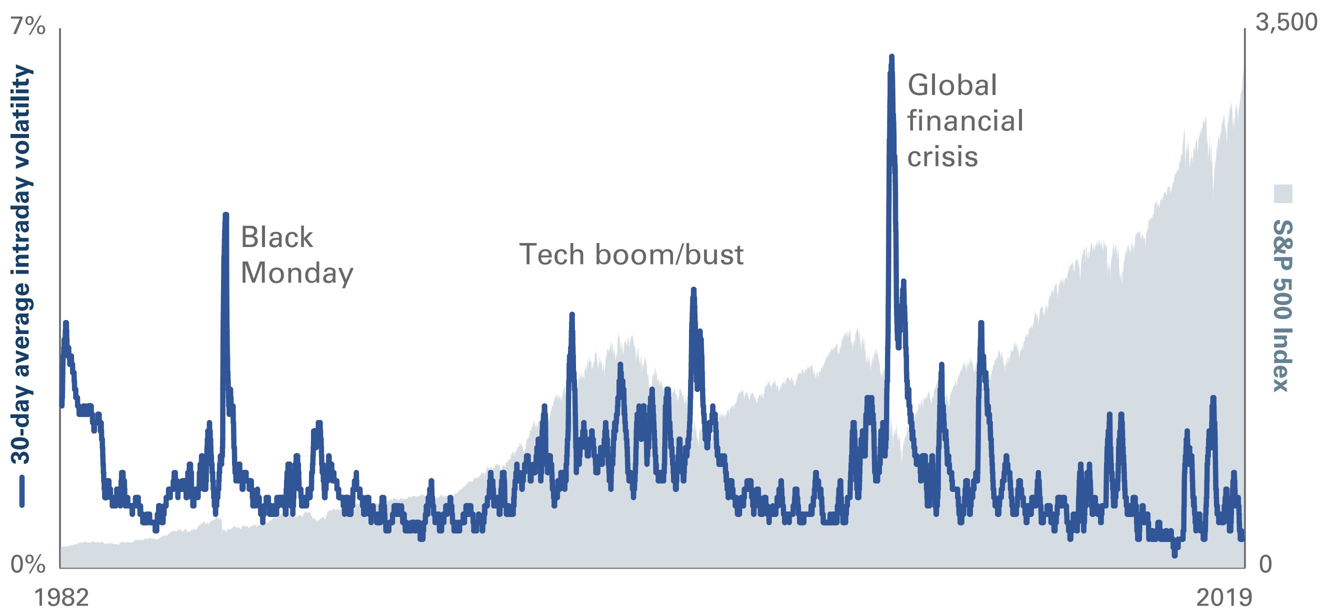
When markets are jumpy, maintain focus on your goals

With the current experience of enjoying the longest bull market in history, it's easy to forget that volatility includes stock prices going down as well as up—and that such movement is practically guaranteed.

While you can't control the markets, you can manage how you react to their swings. The key is to zoom out from any particular period and focus on the long-term trend. As you can see in the chart below, the Standard & Poor's 500 Index, widely used as a proxy for the U.S. stock market, has been one long succession of volatile periods. However, despite the historical volatility, the index increased nearly 19 times in value during the period shown. Investors who jumped ship during the volatile times, by selling their stock portfolios, would have missed out on the impressive gains that followed the declines.

Volatility and prices for the S&P 500 Index

September 30, 1982, to December 31, 2019



Sources: Vanguard calculations, using data from Lipper, a Thomson Reuters Company.

Notes: Intraday volatility is calculated as the daily range of trading prices [(high-low)/opening price] for the S&P 500 Index.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Volatility can also create a great opportunity to rebalance your strategic asset allocation. Volatility in the market might make it possible for you to sell concentrated equity positions or high-cost active holdings with no tax penalty. Together, we can plan for such opportunities and take advantage of them when they appear.

Both of the considerations discussed here about volatility underscore the importance of determining your financial goals and working together on a plan to reach them. That plan then serves as a financial North Star—a constant, written reminder that can guide you to the outcomes you want, independent of market conditions.

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

Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

We recommend that you consult a tax or financial advisor about your individual situation.

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