HOW TO BE PROACTIVE VS. REACTIVE WITH YOUR INVESTMENTS

When markets drop, it is human nature to reevaluate your investments and you might have the urge to make major changes–selling things off and exploring other saving methods.

Being reactive means responding immediately to concerns about an often-uncontrollable situation or issue. Proactive behavior is thinking about future conditions or consequences.

Resist the urge. Watching the value of your investment account shrink isn't easy. The temptation to make changes to your investment allocations to prevent further losses can be powerful. While it may be difficult, riding out a market decline can be a better approach for the long term. Historically, market declines (bear markets) have been followed by significant gains.

So, if you're asking yourself, "What should I do?" follow these five do's and don'ts.

DO keep your long-term perspective and revisit your personal retirement savings plan. If you don't have a plan, make one now.

DO reconsider your understanding of risk and diversification. It is easy to underestimate risk when the stock market is growing at steady rates. The current downturn reminds us that investment risk is real. Make sure your investments are diversified to lessen risk.

DO revisit your asset allocation. What is asset allocation–it's spreading your account balance among several investment options. Investing in money market, bond, and stock investments based on your goals, time frame, risk tolerance and financial situation is your best strategy for a solid investment plan.

DO NOT panic–it is natural to feel uneasy about negative return investment performance. Don't make quick, emotional decisions based on recent events.

DO NOT stop contributing to your plan. No matter what the market does, you will still need money when you retire. Your 401(k) Plan provides you with the opportunity to invest in fixed, regular intervals at a tax-deferred rate.

When markets decline, it's important to take a long-term perspective. Bear markets have been typically followed rising markets and gains. Making quick, reactive decisions about your investments may cost you over time. By following these five do's and don'ts, you can set yourself up for success over time.