Let Your Head, Not Your Heart, Guide Your Investment Decisions

Many of us will have spent the last two years longing for the time when most of the UK population had a good immunity against Covid-19, and pandemic restrictions were either being eased or completely dropped.

And although the pandemic isn't over, these wishes have come to pass, and we're closer to normal now than we have been for a long time. So why do we not feel like celebrating?

Well, the headlines still make grim reading. From soaring inflation to Russia's attack on Ukraine, it's clear that the global economic recovery from the pandemic isn't going to be smooth, and this volatility is making many investors jittery.

However, we'd urge you not to panic in the face of international uncertainty. Hold firm, stick to your investment plan and don't let emotions guide your decisions.

Keep a Lid on Your Emotions

Being an investor is like being a football fan, particularly if you, like us, support Norwich, as you can face the highest of highs, crushing blows, and a regular struggle to process the dizzying range of feelings that comes with riding this rollercoaster.

But there's a key difference with investors, as there can be a big financial cost to you if you go into panic mode as soon as the market falls.

You should be taking a long-term approach to your investments, rather than acting emotionally and impulsively.

Simply sitting tight until the markets recover from whatever has caused them to drop could be a much more lucrative approach than panicking as soon as things don't go the way you want.

Markets Rise and Fall

Watching the value of your investments fluctuate as an international crisis escalates will naturally be a cause for worry.

But the markets rise and fall every single day, and while tough times might be difficult to swallow, the value of your investments will eventually bounce back. And that's why it's so important to be resilient and stick to your long-term strategy.

You could even use this opportunity to pick up some new investments while prices are low, with the expectation that their value will also rise at some point in the future.

This could be a great way to diversify your portfolio if you're worried about keeping all your eggs in one basket, but as ever, you should research potential investments thoroughly before making any commitments.

How often do we see investors paying too much for stocks at a time when they are doing well? If you're prepared to wait, perhaps for several years, for the markets to recover at some point in the future, it could pay off handsomely.

An interesting study by JP Morgan highlights exactly why it's worth taking a long-term approach to investing. According to the study, an investor who was out of the market for just ten days between January 4th 1999 and December 31st 2018 would have seen their returns fall from 5.62 per cent a year to 2.01 per cent a year. And if you had missed the 60 days in which the market was performing at its best, you would have seen a 7.5 per cent loss per year on your investments.

This puts into context exactly why at times like these, investors should simply do nothing and hold onto their investments. Hopefully, the markets should pick up in the coming months or years, and work in your favour.

Diversifying Reduces Investment Risk

If you're concerned about the level of risk you face from your investments, as we continuously preach, diversifying is key rather than selling up.

If you've invested solely in one company or one industry, the strength of your portfolio heavily relies on the specific problems and issues facing that particular sector. That means a diverse portfolio, covering shares, bonds and property in different countries and sectors could be more resilient in the face of global economic problems, and international crises such as the current Ukraine invasion.

Ultimately, the message to take away from this article is that now is not the time to panic and sell up. Sit tight, stay calm and stick to a long-term strategy, as that's more likely to reap rewards for you in the future.