INDIGO MARKETING AGENCY

(619) 786-7787
team@indigomarketingagency.com

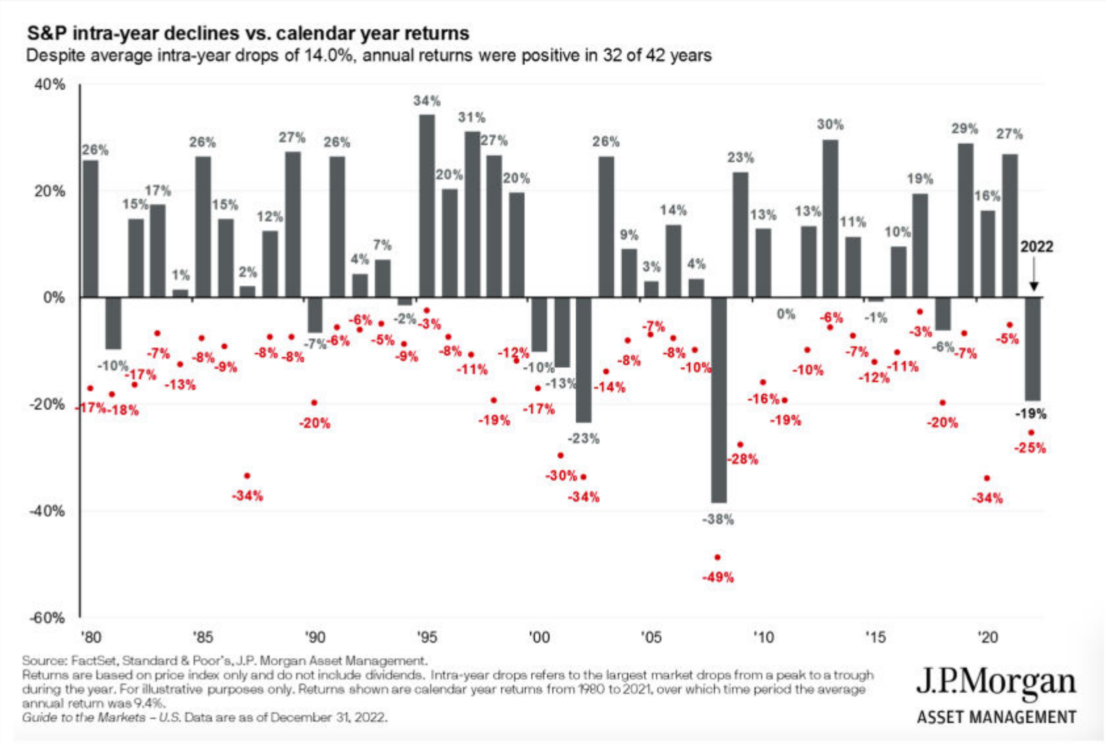
# What Should You Do About Inflation and Stock Market Volatility?

There are three words that seem to be everywhere these days: inflation, volatility, and recession. Though inflation has slowed in recent months, coming in at 6% for the 12 months ending February 2023, it is still a far cry from the Fed's target rate of 2%. What's more, a recent poll shows that 61% of economists believe a recession is on the horizon for 2023 and the recent bank failures certainly haven't helped the picture.

Investors are understandably nervous about their investments and their purchasing power. If you are worried about your portfolio, you're not alone. But during stock market volatility, it's important to keep a level head to avoid financial mistakes.

**Stay Calm**

At times like these, it's important to put current conditions into perspective. This is not the first time the market has taken a tumble and it won't be the last. Declines in the S&P 500 Index are actually fairly regular events. In fact, over the last 42 years, intra-year declines have averaged 14% as illustrated by the graph below:




## Ride Out the Uncertainty Storm

It's important to remember that markets dislike uncertainty. Currently, there is a lot of uncertainty regarding the continued inflation, interest rate hikes, shockwaves in the banking industry and the ongoing recession fears.

With so much uncertainty, volatility right now is extreme. In January 2022, the VIX (the market volatility index) hit the highest level since 2020. As more information has come out about the Fed's response to inflation and other factors affecting the market, uncertainty has decreased and the VIX has come back down to 18.81 as of March 31, 2023. As things continue to develop, it is likely that day-to-day market fluctuations will decrease.

## Play Dead

There's an old saying that the best thing to do when you meet a bear market is the same as if you were to meet a bear in the woods: play dead. While easier said than done, successful long-term investors know that it's important to stay calm during a market correction. We don't know yet whether the coronavirus fears will translate into an official correction, but the risk always exists.

Market volatility has increased in recent years and the media can often make it seem like each episode is worse than the one before. In reality, volatility does not hurt investors, but selling when the market is down will lock in losses.

## Remember That Your Portfolio Is Diversified

Fears about inflation, volatility, and market declines are stressful. However, it is important to keep in mind that while the stock market is down, your portfolio is made up of both stocks, bonds, and other assets that are designed to work together to decrease overall losses. It's important to consider your specific portfolio, investment horizon, and circumstances when reflecting on economic events. If you have questions about your portfolio, get in touch with our office.

## Review Your 401(k) and Other Accounts

Now is a good time to take a look at all your investment accounts, including your 401(k), to make sure they are well diversified. If you have not rebalanced your other investment accounts in the last year, get in touch with our office and we'll take a look and offer recommendations to minimize potential losses.

## Speak With Your Advisor

Whether you're new to investing or an experienced investor, it's helpful to consult with an objective third party. Human nature causes us all to act out of emotion when our accounts go down. As an independent firm, we put your best interests first. We seek to serve as a support system for our clients, helping them make informed financial decisions that aren't driven solely by emotion.

## We're Here for Your Friends and Family

If you have friends or family who need help with their investments, we are happy to offer a complimentary portfolio review and recommendations. We can discuss what is appropriate for their immediate needs and long-term objectives. Sometimes simply speaking with a financial advisor may help investors feel more confident and less concerned with the day-to-day market activity.

bank deposits. [The FDIC insures deposits up to $250,000 per depositor, per account ownership category, per bank.] This coverage includes checking accounts, savings accounts, money market accounts, and certificates of deposit (CDs) issued by FDIC-insured banks.

## SIPC Insurance

SIPC is a non-profit organization established by Congress in 1970 to protect investors against losses due to broker-dealer failures. SIPC provides up to $500,000 in insurance per customer for cash and securities held by a broker-dealer. This coverage includes stocks, bonds, CDs, and mutual funds held in a brokerage account.

It's important to note that SIPC insurance does not protect against losses due to market fluctuations, but only in the event of broker-dealer insolvency or fraud. SIPC insurance also does not cover investment losses incurred by the customer, nor does it cover non-securities such as commodity futures contracts or currency.

## How to Safeguard Your Savings

Not all banks and broker-dealers are FDIC or SIPC insured, so be sure to double-check the status of your accounts and consider relocating your funds if your bank or brokerage is uninsured. Additionally, not all account types are eligible for FDIC insurance. Stocks, bonds, and mutual funds are account types that are not eligible for FDIC coverage, and commodity futures and currency contracts are not eligible for SIPC insurance.

Additionally, both FDIC and SIPC insurance have limits to their coverage. The FDIC insures up to $250,000 per depositor, per account ownership category, per bank, while SIPC insurance provides up to $500,000 in coverage per customer. Keep in mind that joint accounts are considered a separate ownership category, which means that each account holder is insured up to $250,000 under the FDIC program.

If you have accounts with multiple banks or broker-dealers, make sure your deposits and securities are spread out in a way that maximizes your insurance coverage. Remember to regularly review your account balances and adjust your accounts as necessary to ensure you are within the coverage limits. By knowing the coverage limits and eligibility requirements, you can make informed decisions when choosing where to deposit your money or invest your securities.

## How We Can Help

If you're worried about the recent bank failures and how they might impact your finances, don't hesitate to reach out to us for guidance. Our team can help you understand your options and develop a plan to protect your assets, minimize your risk, and provide advice on FDIC and SIPC insurance. Book a meeting or contact us today to connect with a financial planner who can help you preserve your financial future.