HOW TO AVOID MAKING EMOTION-BASED FINANCIAL DECISIONS

You spent years building a healthy retirement investment account. Then Wall Street takes a nosedive. You're down $10,000, then $15,000.

Now you decide that investing inherently means taking on risk. You won't stop until you win your money back (and then some). You put more in the market. In a blink, you're down another $25,000.

Don't let this happen to you.

ARE YOU A GAMBLER OR AN INVESTOR?

Making financial decisions alone—especially during times of market volatility—can be perilous. It's easy to make the wrong choices when you see hard-earned money disappearing.

But when it comes to investing, having a steady hand is crucial. If you make spontaneous decisions based on emotion or the ever-present ebbs and flows of the market, then you risk turning your carefully invested funds into little more than gambling money.

Keep yourself from becoming a gambler. These techniques can help.

KNOW YOUR INVESTMENT PHILOSOPHY

Having a clear vision of how you intend to invest and why. This is essential for making decisions that serve your larger financial goals. Knowing your investment philosophy will keep your eye on the big picture instead of market highs and lows.

FOCUS ON THE LONG GAME

It can be tempting to check your investments every day. After all, you want to see how you're doing and how you could do better. But checking your performance too frequently does more harm than good. It may make you anxious, encouraging emotion-based investment decisions.

Instead, check your investments on a monthly or quarterly basis. This way your financial goals are the focus, rather than market gyrations.

PARTNER WITH A PROFESSIONAL

The value of working with a financial professional is that you can counter some of the risks that come with investing. Regularly staying in touch with them will help you feel less isolated in your financial decision-making. They can share the research burden with you and devise a plan to implement investments based on your goals.

This partnership is especially beneficial when your investments fall in value. Most people who lose money during market declines liquidate their investments while the market falls, then re-invest after the market recovers. Essentially, they sell low and buy high. This makes it almost impossible to efficiently meet long-term financial goals.

If the market dips and you feel anxious, call your financial professional. They can recommend how to respond to market downturns in a way that aligns with your goals. Having a third-party analysis on hand can help take the emotion out of your financial decisions and help you stick to the plan.

TRUST YOUR FINANCIAL PLAN

If you've worked with a professional to develop a sound financial plan, then you can rest assured that market volatility is accounted for.

But there are some instances where your financial goals may shift and you need to re-evaluate your plan. Talk to a financial professional if you have questions or concerns.