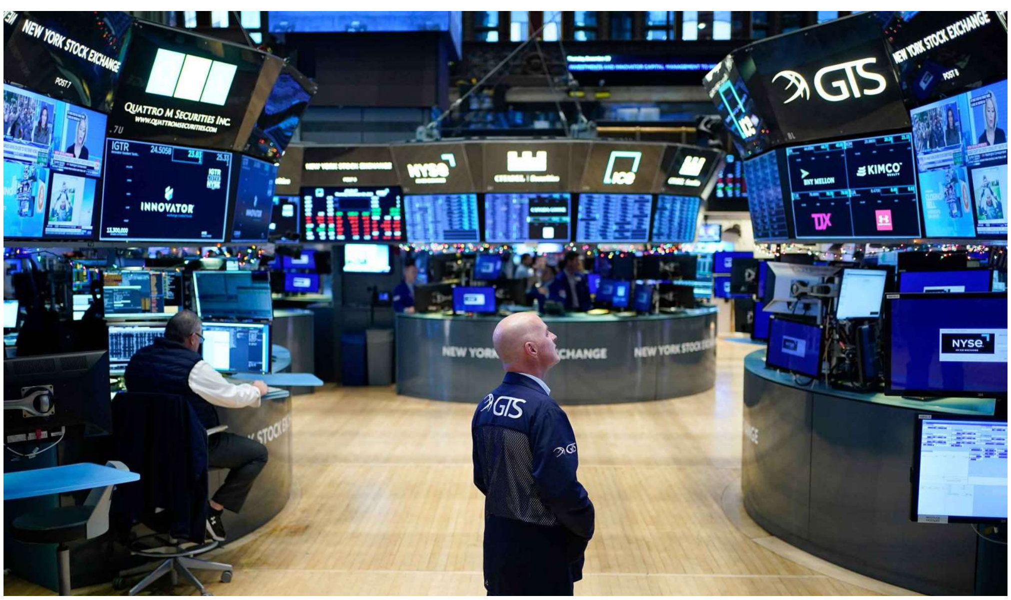
INVESTING

5 Tips for Investors After the Stock Market's Worst Year Since 2008

By: Mallika Mitra |
Editor: Brad Tuttle
Published: Jan 03, 2023 | **8 min read**

SHARE



Shutterstock

Wall Street ended 2022 on a low note. But experts say there are a few moves you can make now to ensure your portfolio is ready for 2023.

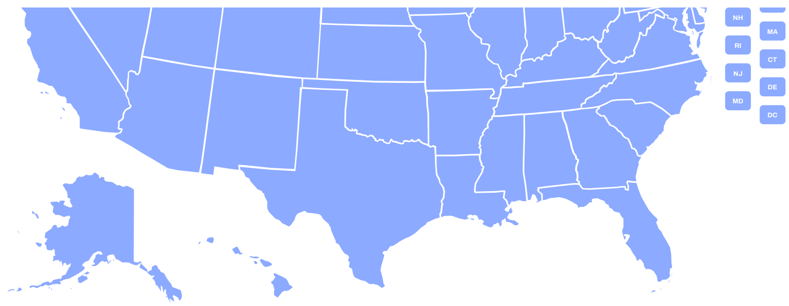
The **S&P 500**, an index commonly used as a benchmark for U.S. **stocks**, ended the year down 19.4%. It was the index's worst annual performance since 2008. Meanwhile, the Dow Jones Industrial Average tumbled 8.8% for the year and the tech-heavy Nasdaq Composite fell a whopping 33.1%.

Stocks kicked off 2022 near a record high. But amid **decades-high inflation** and the Federal Reserve's attempts to bring down those spiraling consumer prices with **interest rate hikes**, financial markets quickly began to struggle. **Bonds** fared poorly, with the Bloomberg US Treasury Index experiencing a **record annual loss**. **Crypto markets** felt the pain, too, exemplified by **bitcoin** dropping from around $47,000 per coin at the start of 2022 to around $17,000 per coin now.

After such a tumultuous year for the markets, many investors are likely feeling unsettled about how their **investment portfolios will perform in 2023** — but experts say that's no reason to abandon your investing strategy.

"I know it is hard to hang in there," says Catherine Valega, owner and financial planner at Green Bee Advisory in Boston. "But hang in there you must."

There are several moves you can make to ensure you're starting off the new year on the right foot. Here's what experts say to doing consider now.



GET STARTED

Check in on your investing goals

A big part of having a strong investment plan is aligning your portfolio with your goals, whether that's a comfortable retirement in several decades or a big purchase in the next few years.

While experts say that investing in the financial markets is one of the best ways to build wealth over the long term, you want to make sure your money is accessible when you need it. The **volatility** of the markets in 2022 has shown us just how important it is to account for fluctuations and downturns.

Valega advises her clients to keep money for short-term goals, like a down payment within three years, in a **high-yield savings account**. But for those who have three to five years until their goal, she recommends adding stocks to the plan.

The best choice of investments will look different for each individual. But ensuring that you're choosing **long-term investments** for goals you have more time for and **short-term investments** for those you'll need money for in the next few years will help.

Make sure you have a diversified portfolio

Having a diversified portfolio is key to a strong investment plan. **Diversification** refers to investing in a wide variety of assets to mitigate risk. Depending on your financial situation, goals and time horizon, you'll want to consider stocks, bonds and cash. (A

Continue investing in stocks

Checking your investment accounts now may be anxiety-inducing, but that doesn't mean you should stop investing. In fact, it's important to stick to your plan and **keep investing even when stocks are down**.

That's because you can't time the market, and if you stop investing now, you risk missing out on the recovery. As J.P. Morgan Asset Management's 2022 "Guide to Retirement" **report** explains, the stock market's best days tend to happen close to its worst days: Between January 1, 2002, and December 31, 2021, seven of the S&P 500's best days occurred within just two weeks of the index's 10 worst days.

Plus, down markets means financial assets like stocks are on sale.

"The market being down actually makes January 2023 a better time to invest than January 2022," says Jeremy Keil, a financial advisor at Keil Financial Partners in New Berlin, Wisconsin.

Don't make major changes to your portfolio

Seeing news that 2022 was the worst year for stocks since 2008 is scary, but it doesn't mean you should make big changes to your investing plan.

"I don't recommend changing anything about your investing strategy only because of what the market has already done," says Kevin Burkle, a financial advisor at HCP Wealth Planning in Jacksonville, Florida. "We can't control the short-term returns of the markets."

However, investors should focus on what they can control, like making sure the level of risk they have in each account is aligned with how and when they plan to actually use the money, Burkle adds.

Remember market downturns don't last forever

Market downturns are scary, but as history has shown us, when prices turn around, **investors can come out winning**.

Back-to-back down years for the S&P 500 are quite rare, **according to** Ryan Detrick, chief market strategist at Carson Group.

"If you go all the way back to 1950, the only times that stocks fell in back-to-back years were during the vicious recession of 1973/1974 and then three years in a row during the tech bubble implosion of the early 2000s," Detrick wrote in a recent blog post, adding that "the odds could favor a snapback in 2023."

So while checking in on your portfolio to make sure it aligns with your goals and time horizon is always a good idea, the best course of action is likely to keep calm and stick to your plan.

More from Money:

Millionaire Investors Think Stocks Will Fall in 2023 — but It Could Be a Big Buying Opportunity for You

Here's What Experts Predict for the Stock Market in 2023 — and What Investors Should Do

4 Best Long-Term Investments