



Keeping cool during market turmoil

Anxious about the markets? Who wouldn't be, given today's headlines?

But the good news is that there are things you can do to cope with the stresses accompanying financial turmoil, according to Dr. James Gottfurcht, a clinical psychologist and an expert on the relationship between money, investing, and emotions.

When the economy is being battered, one important step toward keeping your cool is to scale back on watching the nation's economic twists and turns, says Dr. Gottfurcht, president of Psychology of Money Consultants, a Los Angeles-based company that specializes in coaching and counseling people with money issues.

Instead, focus on aspects of your life that you can control, Dr. Gottfurcht advises.

"If a financial event is negative and beyond your control, dwelling on it is just likely to reinforce negative

thoughts," he says.

But tuning out the market news doesn't mean that you have to ignore what is going on.

Dr. Gottfurcht advises: "Do some reading, talk to your broker or financial advisor, family, and friends. Get their input, digest it, and make a more rational decision about your investments. Once you have reacted appropriately for your circumstances, minimize the watching and the drama."

The stock market and the economy are cyclical—they go up, they go down, they go up again. As a result, you can use the current financial turmoil to look and plan ahead for the next crisis that inevitably will come down the road, Dr. Gottfurcht advises.

Among other things, many investors use financial turmoil to reassess their tolerance for risk, he says.

They may have thought their tolerance for risk was high, that they could emotionally handle a 20%—or even a 50%—decline in their investments. In the midst of turmoil, they may no

longer be so sure.

"When they see they are losing that much, they discover they really can't tolerate it," Dr. Gottfurcht says. "They may become very anxious, angry, numb, or go into denial and then lose much more.

"Once they experience the heat in the kitchen, it helps them to reevaluate more viscerally what kind of risk they can actually tolerate," he adds

You can also decide to take more control over your financial life by assessing your day-to-day situation and looking for ways to economize.

"You can use this experience to be more mindful of consumer items you have been purchasing," Dr. Gottfurcht advises. "Evaluate which ones you truly need. That can help you weed out purchases you make on impulse and are just taking up space in your garage."

What if, after having taken these steps, you still feel anxious?

Spending more time with loved ones and "people who are at the core of

your support system" can help you get through financially unstable times, says Dr. Gottfurcht.

Exercise can also help.

Dr. Gottfurcht advises: "Take a walk, go jogging, go swimming. Do yoga, deep breathing exercises, meditate, Tai Chi. Do whichever is easiest for you. It will help to soothe you physiologically and reduce the anxiety."

Dr. Gottfurcht's opinions are not necessarily those of Vanguard.

All investments are subject to risk.