The Stock Market Keeps Dropping. Should I Change How I'm Investing?

Is now really a good time to be investing? With prices going up and the stock market falling, how should you adjust your financial plans and investing strategy? Stefanie sits down with Katie Gatti Tassin, host of the Money with Katie podcast, to find out.

"McKayla": My goal is to invest enough that if it does well, it's good. And if it does badly, it doesn't negatively affect my life. Beyond that, I don't really know where I would even go for advice about where to invest.

Stefanie O'Connell Rodriguez: This is Money Confidential, a podcast from Real Simple about our money stories, struggles and secrets. I'm your host, Stefanie O'Connell Rodriguez, and this week we're talking to a 26-year-old listener who heads operations for a design agency in London who we're calling McKayla, not her real name.

Do you remember the first time you made your own money?

"McKayla": From about age 16 to about age 20, I was working part-time at McDonald's. I think I was getting like 400 pounds a month and there was none of that money left at all at the end of every month. I grew up in quite a low-income household and the attitude towards money that we had in the house was if you have like a spare 10 pounds or anything, spend it, because you never know when you're gonna have it again. So, the idea of saving really, when the amount that was left over at the end of the month was so small, just never really occurred to anyone. And so that's kind of an attitude that I took into adulthood.

I was constantly following people who seemed to have this, like, infinite amount of money available to them. And it was really getting in my head about what you should be spending your money on or what you should be doing or the kind of life you should be living, and so ended up just miserable all the time—like, going on Instagram and just seeing a whole beach holidays and da-da-da and everything. And I just went through and I just unfollowed everybody who basically earned more than I did and started following loads of these kind of "How I paid off my debt" Instagrams. I didn't really realize how influenced I was by Instagram, and other forms of media until I changed what I was looking at. And that also made a huge difference.

Stefanie O'Connell Rodriguez: Whether it's what we're seeing on Instagram or what we're reading in the headlines, the fact is, despite our best-laid financial plans, what we see around us can have a major influence on our money decisions and how we feel about them. In fact, a

recent survey from Magnify Money found that 70% of Americans say world news and current events factor into their financial decisions.

"McKayla": Growing up in a household where money was not available at all, it makes you so anxious and so kind of, "Right, I have to do a certain amount with this money. I have to lead a certain life with it. I have to make up for all the lost time of not having an allowance of not growing up and living somewhere nice and all these other things."

All of that builds this picture to you that forms your relationship with money. And so, seeing other people living that out and dealing with that and talking about it really openly made it so much easier for me to address what my relationship with money was like and figuring out, what can I actually do about it? Like, I can set up a payment plan for my overdraft. And I can reduce my credit limit so that I can't spend more, even if I wanted to.

Stefanie O'Connell Rodriguez: As McKayla started taking steps to shift her relationship to her personal finances, she also started taking steps to grow her wealth by saving up to buy an apartment.

"McKayla": I need to spend less to be able to afford to live where I wanna be living, but also, wow, this is a big purchase, what else is going on in my life financially that I should probably address at the same time? Like, is this correct? Am I doing this right?

Stefanie O'Connell Rodriguez: McKayla planned to buy using the UK's shared ownership program, a government-backed initiative that helps eligible first-time buyers get into property ownership by taking out a mortgage on a share of a property, while paying rent on the remaining share, with the opportunity to increase the share of the property they own outright over time.

"McKayla": My aunt and uncle were insanely, insanely generous and gifted me a huge amount of money. It was 50,000 pounds to do with whatever I wanted last year. And so I decided I wanted to buy a flat and thought, "Well, I've got a while. So why don't I invest this money for a year and then see where I'm at?" Because unfortunately, if you want to live in central London, that's actually not a huge amount of money.

So put most of the money in a series of investment accounts, and did, I think, as much research as I probably could with the information that I had. I spread all of this money across about eight different funds who were all operating in different geographies and in different industries. And it all just felt very like, "Okay, if one thing fails over here, that's like 10%. So that's fine. And if this thing fails over here, that's like 15%. And that's fine."

Stefanie O'Connell Rodriguez: That was in November 2021. But by January 2022, the London housing market was becoming even more competitive, and she worried if she waited, she might miss her chance to purchase property altogether.

“McKayla”: In London it's always been difficult to buy, but house prices here had just completely exploded. And my fear of, “Oh my goodness, my savings are never gonna catch up with where the market's at.” That, combined with the fact that a new phase had opened up right next door to the flat that I was renting at the time - this really nice housing development, it all kind of came together and I was like, “Okay, so maybe now is a good time to actually buy and not wait a year.”

Stefanie O'Connell Rodriguez: So, at the start of February 2022, McKayla started the shared ownership process by putting down a reservation fee on the flat she wanted to purchase.

“McKayla”: Because my savings had lost a little bit of value from November to January I was like, “Okay, well, maybe it'll recover. I'll leave it in there a little bit longer.” At that point, it'd been about three months and it had lost maybe like 8%. And I was like, “Oh, that's not great. That's quite a lot of money. I'll leave it in for a little bit longer and wait for it to miraculously make that money back.” And then the Ukraine war started and everything went completely crazy. And the amount just kept going down and down and down.

Stefanie O'Connell Rodriguez: McKayla couldn’t afford to continue waiting, she needed to access the funds she’d invested to complete the purchase of her flat.

“McKayla”: And so, I was stuck in this situation where everyone's like, “It's gonna recover, it's gonna recover.” And I'm like, “I'm gonna need this cash to buy this flat well before that happens,” and I left it and left it and left it, and it just kept going down and down and down. I don't really know what I'd have done differently without knowing now that it was just never gonna recover in the time that I had. I thought maybe waiting was better than just pulling out. Obviously it would've been so much better to just take it out when I started to worry, but by the time I actually decided to take it out, I ended up losing about 15K. It was embarrassing and it was really upsetting. It was pretty catastrophic on my finances, to be completely honest. I have huge regrets.

Stefanie O'Connell Rodriguez: Had you ever invested money before?

“McKayla”: A little bit here and there. In fact, the stocks and shares that I had put a lot of the money in had actually made quite a lot of money the year before. So at the beginning of 2021 there was some cash in there that ended up doing really, really well, which I think is what gave me the confidence to be like, “Okay, so we just do the same thing again, cause it worked last year so it should work this year.” No, that was not right at all.

Stefanie O'Connell Rodriguez: How do you feel about investing now that you've been through this?

“McKayla”: Hugely, hugely cautious. I know that in the world that we're in at the moment leaving my money in a bank account is the same as losing so much of it every year. Like, I know it's something that I need to reintroduce into my life eventually in order to be able to continue

making good decisions about my money and having it grow and things like that, but from what happened, the percentage of my savings that I'm willing to invest has gone down by like a factor of 10. So kind of dipping my toe back in. But I'm so worried. And I really have, this time, only invested what I really can afford to lose.
So for now it's just kind of, “Okay, emergency fund, maybe some holidays, maybe being a little bit more comfortable around being able to get the expensive cheese”—like that's my money goal right now.

I'm investing smaller amounts that are enough that I have my foot in the door and I can kind of watch what they do and actually understand more. I want to be able to do this in a way that it becomes an advantage and a positive thing in my life rather than this huge source of stress, which is what it was from, like, February through to April of this year. I'd never wanna have to go through that again.

Stefanie O'Connell Rodriguez: Is there something that you feel like you need to know to feel more secure in that?

“McKayla”: I know enough from my friends who are investing and have been doing this for years that anybody who pretends to really know what's gonna happen doesn't. And so I don't really feel like there's any one person who can be, like, invest in this or do this. Or if you do this thing for this amount of time, you'll make this amount of money. Like, those people are either lying to you or they're part of some Ponzi scheme or something. Because I know now that it's impossible to know. Like, I don't know how quickly it takes a downturn to become a not downturn.

Stefanie O'Connell Rodriguez: I'm curious if you've noticed people around you shift the way they talked about their investments?

“McKayla”: As a workplace, everyone is really good and open about these things. They have a little WhatsApp about what they're investing in and stuff like that. And so when everything kind of fell off a cliff earlier on this year, everybody just kind of came into the office and anyone who was investing was like, “Oh, it's bad. I lost this amount. I lost this amount. Oh, wow. That's really bad. I lost this percentage.” And so, it really kind of put things into perspective of seeing, “Okay, this has happened to everybody.”

I'm really hoping that at some point, my salary and my life is at a point where I have that kind of money to invest again, or more. I would rather, frankly, make the mistake now. Sometimes I have this whole moment where I'm like, “No, this is the most money you've ever had.” And it is. It's more money than I have ever had before. It's more money than most of my family has ever earned. Like, where I come from, that is a huge, life-changing amount of money. And I never, ever want to stop being grateful for that. But I also do wanna have the attitude of, “If you work hard and you save and you invest properly, like this is gonna come back at some point. Obviously acknowledging the fact that a lot of people are starting from even further back than I was.

So yeah, I'm trying to kind of hold that balance of, “No, no, no, you lost a lot of money. Take responsibility for that, know that you made a mistake, and try and move on,” but also in the grand scheme of things, “Yes, this was probably a good time to make that sort of mistake.”

Stefanie O'Connell Rodriguez: As of June, the S&P 500, a benchmark commonly used to measure the overall U.S. stock market, was down over 20% for 2022, what investors call a bear market.

Watching investments lose that kind of value can make anyone anxious, especially when you know that's money you're going to need in the near-term. But regardless of your investing timeline, it can still be hard not to panic when you're constantly reading news headlines about the short-term ups and downs of the market, especially the downs, which can understandably leave you questioning what you should be doing right now - Cashing out? Waiting to start? Continuing to invest as usual? Investing more than usual?

We'll be back to talk through those questions of how to handle and make the most of moments of stock market volatility like this one with the host of the *Money with Katie* podcast. After the break.

Stefanie O'Connell Rodriguez: A few days after my conversation with McKayla I was scrolling through my Instagram where I saw a picture of the following Wall Street Journal headline, Markets Post Worst First Half of a Year in Decades, but in the caption it wasn't doom and gloom, in fact, it said, “Congratulations! It's very likely you just lived through one of the hardest periods of your investing lifetime. Which means—if you held on—you're probably pretty good at this investing thing. And if you DIDN'T hold on, that's okay—you'll live & learn.” That timely message was written by the founder of *Money with Katie*, who, naturally, I reached out to immediately, to be our guest for this episode.

I think the thing we hear over and over again are a few fundamental things, “Spend less than you earn, save money and invest, invest, invest, invest, grow your money.” And so, if I'm like, “Well, I'm supposed to be investing” or “I'm supposed to stay invested,” but the noise around me is “doom,” How do I make sense of what I'm actually supposed to do?

Katie Gatti Tassin: First of all, it's totally natural to feel that way. I think markets and investing are some of the most paradoxical things that we interact with in our financial lives. We often only feel confident about investing when the prices are going up and we are paying more for our shares. When those shares start to lose value, usually that's temporarily if you're investing in diversified assets, we start to worry and we feel like, “Okay, I need to just hold off. I need to wait for things to calm back down. And I'm sure I'll get that feeling when it's time to get back in.” But I think there are a few things to keep in mind.

The first is a Warren Buffet quote that I love which is, “Be fearful when others are greedy and greedy when others are fearful.” I think that is the perfect way to describe what's happening right now. Because 2021, you've got all of the crypto mania and, "Have fun staying poor. And if

you don't own Bitcoin, you gotta buy in at $60K, it's gonna hit a hundred by the end of the year." People are greedy, right? And I think that is the time to be a little fearful, to step back and to say, is this right for me? Does this sound too good to be true? Should I be a little bit skeptical of what I'm hearing? And that goes for everything, not just crypto, but it's a very timely example.

But when we think about being greedy when others are fearful, that's the experience that I think we're all having right now, because as tempting as it is to think that we can time the market and hit pause when things are going down and then get back in time to ride the wave back up, timing the market is ultimately a fool's errand. Like seven of the 10 worst days in the market over the last 20 years were followed the very next day by either top 10 returns over those same 20 years, or top 10 returns for those respective years. So usually the best days in the market, when you're gonna get the most increases, very closely follow the worst days. It's incredibly difficult to get in and get out at the right time. And that's why most investing experts recommend just staying in the entire time. When we talk about the average stock market return, in order to achieve that, you have to invest through the bull periods and the bear periods when things are up and when things are down, because if you only ever choose to invest when things are expensive and rising, you are always paying on average, a higher price per share, which will eat into your returns.

So it doesn't feel good, but it is that reckoning with the data, that I need to be investing when things are lower than they were last year, I'm paying less per share, now I'm getting more for my money. And I think that's really how we achieve that long-term average that we all want.

Stefanie O'Connell Rodriguez: So when you're talking about this need to stay invested and to continue investing, what does that look like?

Katie Gatti Tassin: When I'm referencing consistently investing, I'm typically referring to the concept of dollar-cost averaging, which is basically the idea that you are investing the same amount on a periodic cadence. So if you have a 401(k) through your job, you're already doing that if you're contributing to it because every two weeks when you're getting that paycheck, you are putting money into that 401(k), and oftentimes it's the same amount of money every single time. Hopefully, you're increasing the contribution over the years, but you are getting in at this regular interval and capturing the ups and the downs. So over time you are going to capture the average price, the average return.

If you have accounts outside of work, like the Roth IRA, or maybe you have just a taxable brokerage account, which if you were to go and open an E-Trade account or a Robinhood account, that's what that would be. You wanna kind of mirror the same behavior.

So whether that's once a month or the day after you get your paycheck, just establishing some sort of regular interval so that you're not reacting to the news that you're seeing in the market. You're not deciding,"Ooh, it feels like it's up," "Ooh, it feels like it's down, so I'm gonna hoard my cash and wait to deploy it all at once." We think that, "Oh, if I'm being strategic, if I'm putting more thought and effort into when I'm investing into this market, I should theoretically do better,"

but it's just so challenging and so counterintuitive that usually, nine times out of 10, the best way to get the best returns with the least effort is to decide what regular cadence you want to be using for those contributions and putting in the same amount every time, just as more money comes in.

And markets are very cyclical. And I think when we remember this, it's a lot easier to stay the course, accept downturns and doom-and-gloom news cycles as the natural part of both market cycles and media cycles.

But I do think if it reaches a point where you are so upset that you can't sleep at night, you might be in a portfolio that does not match your risk tolerance. And by that I mean, if the ups and the downs that you're experiencing are interfering with your quality of life and you've seen the data, it's not doing it for you, you're like, “No, I need this money in 10 years. I'm 65.” It may be a good time to reassess whether or not you need to be invested in a more conservative way. And there's nothing wrong with that. It's better to shift into a more conservative mix of assets if it doesn't suit your personality or your time horizons.

But what I will say is, most people who I speak with who have lived through several of these bear markets say, once you've seen it once or twice, you start to understand on that visceral level that it's normal and you stop freaking out and pulling all of your money out at the wrong time. I think it just takes time for new investors to experience those downturns themselves with their own money and learn to be comfortable with the volatility. Because it's one thing when you're up 25% year to date, and someone's saying, "You know, eventually it's gonna go down. You gotta stay. Buy and hold." It's like, "Oh yeah, no problem. I can definitely do that." And then you're down 25% and you're like “Hmmmmmm, maybe I should try to interfere, stop the bleeding." But ideally, you're making those asset allocation decisions in a time when you're not selling at a loss.

I think once you're in the bear market, it could just be a good way for you to understand how comfortable you actually are in the midst of it and to decide, all right, was I maybe taking on a little bit too much risk? Should I pull it back a little bit? Or do I have 50 years ahead of me and I just need to reacquaint myself with the history and the data and hold on for dear life and know that eventually it's gonna come back.

Stefanie O'Connell Rodriguez: Yeah as you're saying that, I'm thinking about the fact that I've been invested for over a decade now, and my first year investing in the stock market, I had negative returns, but over the long term, I have great returns. And I think that is also a lot of the reason why I do feel a lot of comfort with holding, with buying, in the bear market.

In the listener story this week, we were talking to somebody who had invested a bit in 2021 and found great growth. She came into some money that she wanted to use for a down payment on a home, just not quite yet. And so, she figured, well, while I'm waiting on that, let me grow this money and I'll invest it the same way I invested this last money, and that worked out well. What are the red flags you hear when I talk about that?

Katie Gatti Tassin: Well for one thing, I do feel really bad for our listener because I think that person did what they thought was best and most responsible at the time and I wanna commend them for that because I think the decision to invest is a really, really good one. Especially after seeing the market in 2021 it's completely understandable that after experiencing that, you're gonna say, "Oh relatively safe bet," Right? While investing in your broad-based index funds is usually an amazing idea over the long term. In the short term, we really have no idea what's going to happen.

If we're talking about six months, a year, whether or not you're gonna lose money is really a coin flip. So, for those who are really flexible with their goals and they want to flip that coin and risk it, feel free. But I do think 2022's market is a good reminder for a lot of us new investors that stocks don't only go up. Sometimes they go down. And sometimes they stay down for a long time.

Stefanie O'Connell Rodriguez: Even outside of short-term goals, like one year, I think for even short-term goals that are a little bit further out, maybe even medium-term goals, there is a pain in holding the money in cash right now with the inflationary environment. And so I'm wondering how you conceptualize what money to keep where or what kind of risk to put on money depending on the purpose?

Katie Gatti Tassin: I know sometimes people have to have cash on the side for things like down payments or weddings or cars. And if you have a mid-term goal that's 12 to 18 months away, you might consider I bonds right now. I can't believe we're even talking about I bonds, it feels like we're in the '90s, but you will get a 9.62% risk-free rate of return if you lock in the current rate. I think it'll change in November. Though it is worth noting that there's a $10,000 limit per person. So if you're married, you can throw $20,000 in. I wouldn't say that should replace your long-term investing goals by any stretch. You definitely, if you're young, want to be considering dollar-cost averaging through the bear market. But if the cash is gonna be sitting on the side anyway, and you know you're gonna need it in 12 to 18 months for something, the ibonds are a pretty good way to preserve the purchasing power risk-free.

Stefanie O'Connell Rodriguez: I do wanna take it back a little bit and go to a brief overview of what fundamental things you think need to be in place before we talk about putting risk on money.

Katie Gatti Tassin: I hear that question a lot and my method is the following: So number one, I think you want to figure out how much your life costs. And this doesn't require a degree in finance or an A+ in calculus, it really just comes down to understanding how much it costs to be you on a monthly basis: the roof over your head, the food in your pantry, the car in your driveway. If you were to track costs from August 1st to August 31st, how much would have to go out the door to maintain your lifestyle of choice? I think that has to be step number one because it gives us that baseline. And then from there, you can figure out how much margin you have on a monthly basis, between your spending and your income. So that margin is like your shovel

that you can use to start digging, and the bigger the shovel, the faster you dig. So you can either make your margin bigger by spending less or earning more or doing both, but typically one or more of those things is gonna be required.

And then, once you know your margin, you know how quickly you can go and you can start to make projections. So the first thing that I would be asking myself is what debt do I have? Do I have any high-interest debt? Usually this is gonna be credit card debt, but some private student loans can get up there too. I would really say anything above 7, 8% I would consider high-interest. Your first priority is likely going to be a mix of paying down the high-interest debt with that margin you have every month, and creating a cash cushion for yourself.

So the cash cushion will vary based on your lifestyle, but I do think one to three months' worth of expenses is a good place to start. Sometimes I hear people say, you need six months to a year and yeah, that'd be ideal. But if it's gonna take you three years to save that much, that's a pretty long time to not be making progress elsewhere. So I would think about setting aside money in a savings account that you won't be tempted to tap into as you build it up, and pay down that high interest debt aggressively. That might take a few months. It might take a year. That's okay. Getting the high interest debt out of the picture, building yourself that little cash safety net, are the best things to do immediately to set yourself up in a safe position to be able to take on risk with investing. There's no shame around this. So please release the feeling that there's something wrong with you if you have debt, or if you haven't saved. If you're starting from a disadvantaged position, know that there's nothing wrong with you and you are fully capable.

If you're already there and you're already like, Yep, okay, got the high interest debt out of the way, I got my cash cushion, I'm good to go. Then I would start looking at ways to build the wealth. I've paid down my liabilities. I've protected myself from emergencies. Now, how can I get proactive and start building?

And I think the best place is to start are accounts that are tax-advantaged, meaning your dollar is going to go further because you are getting significant tax breaks for contributing to the account. This is stuff like your company 401(k) or a Roth IRA that you can open yourself. Ideally you're using both. Those are, I think, two of the best investment accounts to start with and to begin that building journey.

Stefanie O'Connell Rodriguez: I would say the other thing we hear a lot is, "I did everything you just said, and I have no idea what to do next."

Katie Gatti Tassin: So once you've got the financial house in order, you're in proactivity mode, you're ready to go, now comes the fun part, because now is when you can start asking yourself those exciting questions of, What do I want my life to look like? What would I actually like to do for work? How much money do I need to create the lifestyle that I actually want? And then you can adjust your strategy accordingly. It's basically this idea that once you calculate what you

need to live the lifestyle you want, you can figure out how much you need to go earn in order to pay for that lifestyle and invest enough for the future that you can live on it indefinitely.

I would probably start by doing an exercise where I sit down and I write down exactly what I want my ideal week to look like. This is not my vacation-in-Tahiti week. This is my real-life week. My mundane Wednesday. How much do I wanna eat out? Do I wanna have lunch delivered once a week? Do I wanna work from 10 to 3 instead of 8 to 5? Do I wanna drive a different car? And then start assigning the dollar values to these things and figure out what the ideal monthly spending is. So from there you can calculate ideal annual spending and then that unlocks this freedom number: How much do I need to really live the lifestyle that I want and become work-optional?

So using big round numbers, let's say I'm a single person and at $5,000 per month, I can live that dream. That means I need $60,000 per year after taxes to spend. And it means that my retirement nest egg needs to be roughly 25 times that in order to be able to withdraw $60,000 per year forever from a diversified portfolio.

Just to reiterate that for anyone that's like, wait, what? I'm the confused woman with the calculus equations floating around her head? It's annual spending times 25. So now I know I need 60,000 per year to spend, and roughly $1.5 million to retire, adjusted for inflation.

So this will tell me that if I have $0 saved right now, I'm starting from nothing. I need an income of $130,000 and to work for about 23 years to make that happen. I know these figures can feel kind of out there, $130,000 per year, that's a lot of money. $1.5 million, that's really a lot of money, but it gives us a sense of what we would need to live the life we actually want. And we can start setting goals, job-hunting, and setting up our budgets accordingly.

And once we have that margin to invest every month, we're making 130,000 and we're spending 60,000, that does account for taxes that would be coming out at about 25%, well, we've got our margin. So now it's pretty easy. Now it's just investing in that diversified portfolio in our taxable account, assuming we've already checked off those 401(k) and Roth IRA buckets. But I think being able to start putting numbers around it and building the parameters is probably the next place to go because it can clarify the vision.

Stefanie O'Connell Rodriguez: You talk about this concept of optimizing for the best returns versus optimizing for the least regret. And I love it and would love to have you talk us through what that means.

Katie Gatti Tassin: Right now, especially in the midst of the doom-and-gloom news cycles, I think a lot of people are having that reckoning with this idea that, "Oh, stocks do go down sometimes." And, "What if everything that I thought was true about the stock market, that I'm gonna get 10% per year forever, what if that doesn't end up being true?" It just got me thinking about this idea that yes, the stock market is a very safe gamble over the long term, but it is a gamble still.

And I think if you are invested predominantly in stocks and equities that are just in the U.S., we'll say, you are making a very concentrated bet on the future of the United States and that it's gonna continue to innovate and grow, and that profits will continue to grow. And up until this point in history, that's been true. But I think there is something to be said for acknowledging and recognizing that there is always the chance that the future will not be like the past. And if that ends up coming to pass, how can I invest and spend in a way that's going to minimize the regret that I feel with myself later?

So let's take both sides of the extreme: Let's say I am investing every spare dollar. I'm never going out to eat. I'm wearing the same clothes for 20 years. I'm skipping every vacation. I'm basically living on as little as possible and probably making myself miserable in the meantime - or really not living as full of a life as I could. And I'm putting all that extra money in the stock market. Well, if the stock market doesn't do what we think it's going to do, and there's that 1% chance that it takes 50 years to recover and you never get to experience the joy of the wealth that you've set away. I'm probably gonna feel a lot of regret about that. I'm probably gonna look back on my life and be like, "Man, I staked all my happiness on this future that I thought was gonna happen." And yeah, nine times out of 10, I'm pretty sure it's gonna work out for you, but if it doesn't, I don't wanna feel that intense resentment over taking things too far.

The opposite extreme is also true. If I'm sitting here just funneling every CNBC headline and I'm like, “Oh my God, the stock market's gonna take 30 years to recover. Oh my gosh, everything is going downhill. Like, I really just need to stop investing. I'm gonna pull all my money out and I'm just gonna, like, YOLO it up.” Well, if the stock market doubles over the next two decades, I'm probably gonna be pretty pissed when I can't afford to retire because I have no money. Both of those situations are gonna inspire quite a bit of existential dread. So meeting yourself in the middle and saying, “I'm not gonna go overboard. I'm not gonna be overly frugal, but I'm also not gonna allow fear to control me and I'm going to place a bet that the future is gonna be better than the present, and that things are going to turn around and make sure that regardless I am protected no matter what happens, I'm gonna feel the least regret with myself in these decisions that I'm making now, later.”

Stefanie O'Connell Rodriguez: One of the things the listener came away from our conversation with was something that I thought was very positive. Which was this idea that in the scheme of things, she lost 15,000 pounds. So If she lost it by the time it's compounded to millions of dollars and made the same decisions, for her to take a 30% loss on her investment, that would've been a much higher price to pay. So she's actually in a really good place with this whole experience, but I know that's not always the case. For people who invest for the first time and they do see a bear market immediately, it's really easy to feel burned. And so what would you say to those people?

Katie Gatti Tassin: I think it all comes down to time horizon and understanding your own psychology and naming those worst fears. I love that the listener is in that place because I think that's the best possible takeaway to have right now is, it's a lesson. And if you have a long-term

outlook, if you are saving for retirement or something that's decades away, don't even entertain the idea of selling. And I know that that's easier said than done, especially when you're feeling burned. I mean that reaction is perfectly normal. But I do think it kind of ladders up to this fallacy of market timing that we a) can predict what the market's going to do or b) that there's a good or bad time to get in. Theoretically, every time is a good time if you're gonna be investing every month for the next 30 years, there's no bad time. Really it's just the sooner, the better.

When I look at my own portfolio right now, we are probably down, I don't know, a hundred thousand dollars, but when I'm looking at it as numbers on the screen, I just continuously tell myself I don't care if the market is higher this year, I don't care if it's higher next year, all I care about is that it's higher in 2042, like 20 years from now, I need this number to be higher. So to really go through that emotional self-flagellation for money that you don't need for 20 years, it's really not worth it. And I think that's why the timeframe has to be the number one outlook for a new investor in particular.

To take it full-circle back to the worst market first half of a year in decades, if you just started investing and you held through the last six months, congratulations. That's probably gonna be one of the hardest periods that you're gonna experience in your investing lifetime to just hold on and not do anything. So if you just made it through the last six months and you're still going strong, you should feel very, very confident about your future and your ability to continue to make those good decisions and to not freak out and sell.

Stefanie O'Connell Rodriguez: When we talk about investing to grow our money, we're typically referencing the historical long-term growth of the overall stock market. The S&P 500, a key stock market benchmark, had an average annual return of 10.96% before inflation according to a 40-year period analyzed by NerdWallet. That period included the Great Recession of 2008, the dot-com bubble burst at the turn of the millennium and many other years of significant losses. So it's important to note that numbers like average annual return are not evenly distributed. Meaning, while investors may have enjoyed an average annual return of 10.96% over 40 years, their investments were not returning 10.96% every year. Some years the market was up, some years the market was down, the key to getting that average annual return was to get invested and stay in a well-diversified portfolio over the long term.

In other words, the short-term ups and downs of the stock market can make investing money you need in the short-term, like McKayla's down payment, risky, but historical analyses show that over the long term, stock market fluctuations typically balance out and generate positive outcomes the vast majority of the time. And while past performance is no guarantee of future returns, that NerdWallet analysis put the potential cost of avoiding the stock market altogether at some $3.3 million in lost retirement savings by the time a 25-year-old retires at age 65. So when it comes to the headlines and how plunging stock prices should impact your investing strategy, provided you're not counting on that money in the near term, you can continue dollar cost averaging – that is, contributing the same amount to your investment accounts on a regular cadence, like every pay period - to maximize your chances of benefiting from that average return over the long-term. And when you do start feeling caught up in what's happening in the

market this year or this month or this week, remind yourself to zoom out. If you’ve got your short-term savings in risk-free assets like a savings account, what’s happening this year, or next year, or even the year after that, doesn’t matter nearly as much as where the market is in 10, 20, 30 or 40-plus years when you actually need to start drawing down those funds.

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Come back next week when I'll be speaking with career coach and co-host of the Brown Ambition podcast, Mandi Woodruff-Santos about inflation and what it means for your next salary negotiation.