

Investing Today

Keeping Perspective
in Volatile Markets



Agenda

Evaluate Volatility

Consider the Noise

Understand Your Threshold

Focus on What You Can Control

Communicate Your Needs



This presentation is based on the white paper entitled, "Investing Today: Keeping Perspective in Volatile Markets" by The Emotional Investor, Jay Mooreland, MS, CFP®. The author is not affiliated with Brighthouse Financial, and is solely responsible for the content of this presentation.

Evaluate Volatility

Evaluate Volatility

Volatility:

- Is an inherent part of investing
- Can create mispricing in securities
- Can often cause us to react emotionally
- Is a large function of time

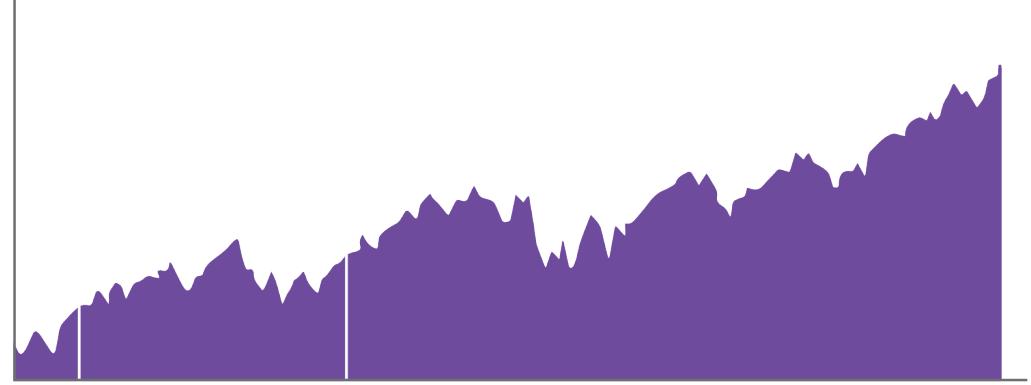
Which chart would you prefer your portfolio to look like?

Chart A and B represent the same investment, but Chart A is simply a nine-month period of time within Chart B.¹

Chart A



Chart B

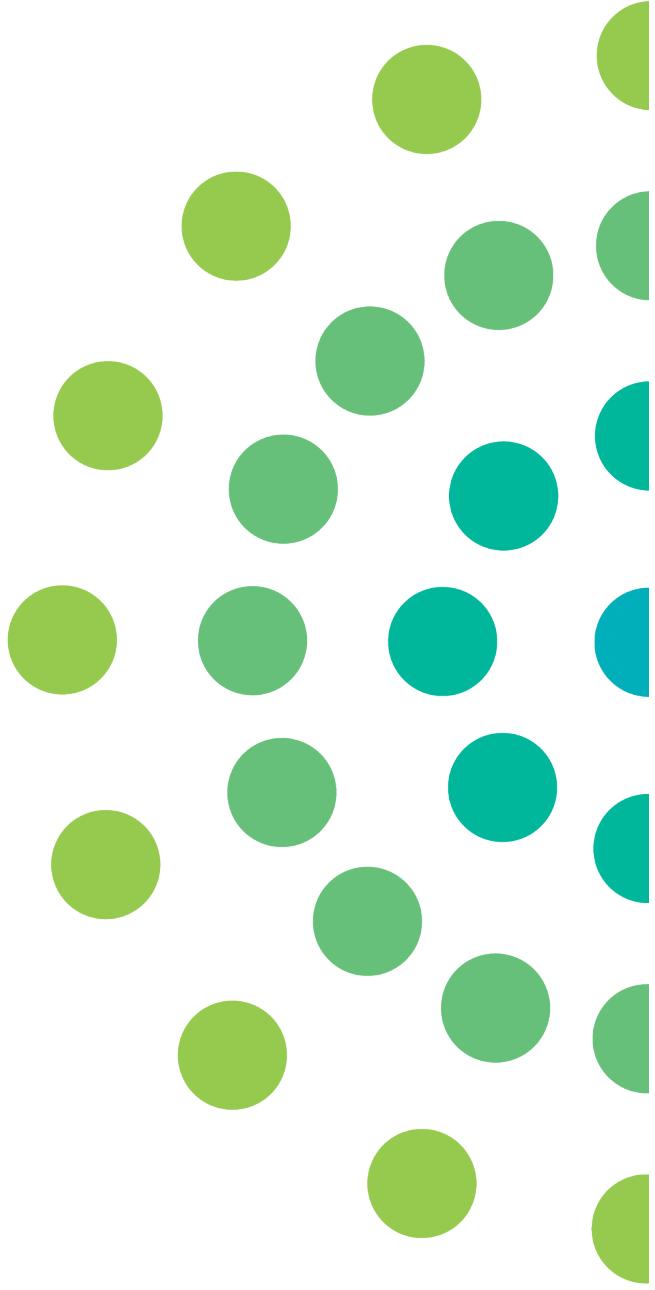


¹ Chart A is S&P 500 Index from 11/2009 – 07/2010. Chart B is S&P 500 from 05/2009 – 07/2013. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. All indices are unmanaged and may not be invested into directly.

Consider the Noise

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Most information reported by the financial media is “noise,” not news.



Take a look at the headline below from the Wall Street Journal dated January 24, 2014:



“U.S. Markets Tumble As Fear Spreads”

This headline was published when:

- The S&P 500 was down just 3.1% from its all-time highs
- There were only four days of losses

So what should you do?

Consider:

1

Do you anticipate that current events will be worse than Black Monday 1987 or the 2008 Financial Crisis?

2

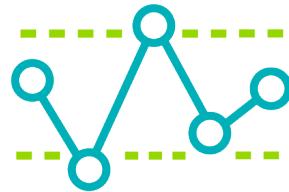
How did an investor who was fully invested in stocks before Black Monday and the 2008 Financial Crisis fare seven years after each crisis?

3

Given your time horizon, what would be the most prudent strategy if market losses occurred in the near future?

Understand Your Threshold

Understand Your Threshold



The stock market is volatile by nature.

Understand Your Threshold



Identifying your personal threshold can be difficult.

Answer the following questions:

- I would be **concerned** if my portfolio fell to \$ _____
- I would be **devastated** if my portfolio fell to \$ _____

**Focus on What
You Can Control**

Focus on What You Can Control

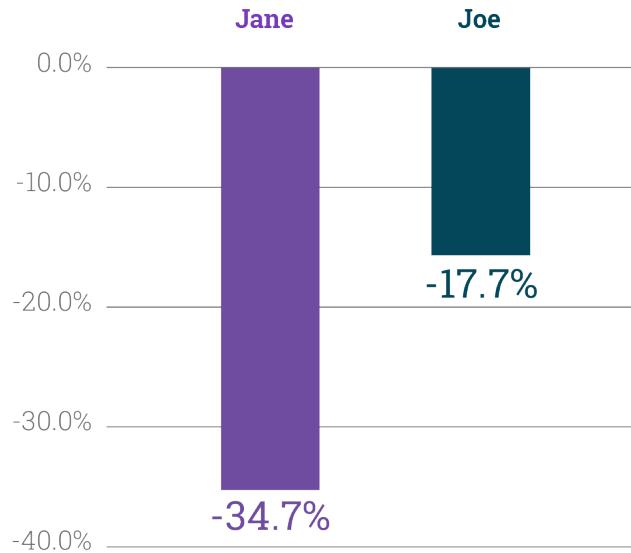
Things you can control:

- Investment allocation
- Risk exposure
- Tactical strategies (rebalancing, defining when to buy low)
- How you react/respond to the things you can't control

Things you can't control:

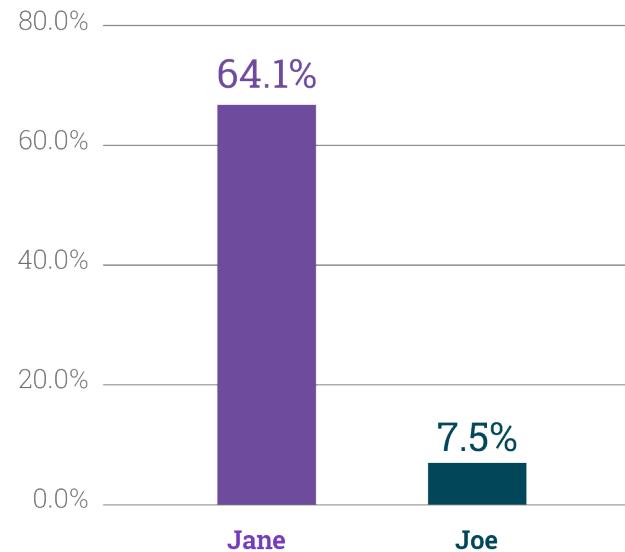
- Market performance
- Volatility
- Economic policies
- Headlines

Focus on What You Can Control



Performance as of March 9, 2009

Over the short term, it appears Joe was wise in selling stocks and buying bonds, as evidenced by the outperformance relative to Jane.



Performance as of June 1, 2016

But over the long term, the patience and diligence shown by Jane – sticking with her investment process – paid off handsomely.

Stock performance is represented by changes in the S&P 500 Index over periods defined. Bond performance is represented by changes in the Barclays Aggregate Bond Index over periods defined. Both indices assume reinvestment of dividends. The Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. You cannot invest directly into index funds.

Jane had a strategy of rebalancing every year if the allocation deviated 5% or more from the target. In this scenario, Jane rebalanced on the last business day of May in '08, '09, '11, and '14.

Joe is assumed to have sold all stocks on Oct 31, 2008 and invested all into the bond index.

**Communicate
Your Needs**

Communicate Your Needs

Group 1

- A. Considers things objectively – seldom influenced by feelings
- B. Values recognition and praise for accomplishments
- C. Actions are tied heavily to personal values
- D. Is direct and assertive with self and others

Group 2

- A. Analytical when making decisions
- B. Easily bored by routine tasks
- C. Content working behind the scenes and enjoys helping others
- D. Confident and results driven

Group 3

- A. Maintains calm in volatile situations
- B. Is energized by change
- C. Often defers decision making to accommodate others
- D. Brings drive and focus to issues

Group 4

- A. Values quality and accountability
- B. Energetically juggles multiple roles and tasks
- C. Puts people and relationships first
- D. Action oriented and loves a challenge

Group 5

- A. Prefers a structured, methodical approach
- B. Is creative and likes to think outside the box
- C. Is patient with a relaxed attitude
- D. Likes to lead and make things happen

Results

- _____ A
- _____ B
- _____ C
- _____ D



Questions



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