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YOUR MONEY

Memo to the Uneasy Investor: Be Strong

By [RON LIEBER](#)

It's pretty hard to stick with a long-term plan for your money when the financial world seems to be unraveling around you.

You were probably already uneasy about home prices, job stability and inflation. Then the government took over [Fannie Mae](#) and [Freddie Mac](#), [Lehman Brothers](#) scrambled for a buyer and the stock of [Washington Mutual](#) fell below \$3 amid concerns about its own shaky standing — and that's just in the last week.

The temptation is to climb under the covers, money safely in the mattress, and hide from a world that has surely changed forever.

“The big question that people ask during these things: ‘Is it different this time?’ ” says J. Mark Joseph, of [Sentinel Wealth Management](#) in Reston, Va.

And is it? Well, no, not really. And as with any market disruption, you need to start by staring down the volatility and putting it in context. Then, face up to whatever fears led you to stop investing money or to move everything into safer vehicles — or to seriously ponder those alternatives.

Finally, resolve to be brave (and well diversified).

Let's take these steps point by point:

THE VOLATILITY COULD BE WORSE It's perfectly understandable if you feel as if you have whiplash right about now. Any single company or industry is increasingly susceptible to the forces of global competition, the rapid flow of information and the variety of ways in which sophisticated investors can place big bets.

On a macro level, too, the markets feel unstable, flying up on Monday with relief over the Fannie and Freddie rescue and then plummeting Tuesday over broader concerns about the health of financial firms.

By certain measures, however, the stock market isn't bouncing around as much as it has at other times. So far this year, the Standard & Poor's 500-stock index has risen or fallen more than 1 percent in a single day 42 percent of the time. That's just the 11th-highest figure since 1928.

Or check the “investor fear gauge,” otherwise known as the [VIX](#), shorthand for the [Chicago Board Options Exchange's](#) Volatility Index. It measures market expectations of near-term volatility as expressed through the prices that people pay for options on the S. & P. 500 index. At many points from 1997 to 2002, the VIX reached higher levels than where it sits now.

That said, for the last year, the VIX has hovered at levels higher than any point in the previous four years, and it has hit those levels for reasons that give everyday investors pause about the markets.

Milo M. Benningfield, of [Benningfield Financial Advisors](#) in San Francisco, rattled off a number of them this week, including increased hedge fund activity; lack of guidance on corporate earnings, leading to surprises and stock gyrations each quarter; and opaque company balance sheets, which the companies themselves seem to revalue every few months.

ACCEPT FEAR Your natural inclination is probably to sell everything and invest in certificates of deposit or throw the proceeds in a money market fund. In fact, evolution insists on these feelings.

“We had survival mechanisms built in to avoid sitting around debating whether we should run away from the saber-toothed tiger,” Mr. Benningfield said. “That’s the fundamental problem with long-term investing. Our skills aren’t really that transferable to the challenges involved.”

These skills can be learned, however, and [Brent Kessel](#), the president of [Abacus Wealth Partners](#), thinks yoga offers some crucial lessons. Mr. Kessel, a money manager and financial planner in Los Angeles who is a longtime yogi himself, noted that most people try to get rid of their fear of the markets through some kind of external action, like selling.

“This is where yoga comes in,” he said. “It’s the practice of breathing through discomfort. You intentionally put your body in postures that are right at the edge of discomfort and then cultivate the ability to stay there. You tend to find it passes if you give it time, but instead we rush to the Internet to trade on our portfolios.”

A more constructive move at this particular moment might be to redirect your worry toward other areas of risk in your life. Mr. Kessel said that if he were an estate-planning lawyer, he’d be calling clients right now to get them to address any half-finished paperwork.

“Market corrections are just a foreshadowing of what death is going to feel like,” he said. “We’re all trying to avoid death. That’s what we’re wired to do as human beings.”

NOW, BE BRAVE Investing in the middle of market gyrations isn’t just a question of controlling the urge to sell indiscriminately. It’s also about taking a close look at the contents of your portfolio and then forcing yourself to fix an asset allocation that is out of whack and to buy in sectors of the markets that are out of favor.

At this moment, familiar names in your portfolio may make you feel comfortable. Perhaps it’s a concentrated stock holding in your employer, whose business you know quite well. Or maybe you have some securities from a parent or grandparent, and you feel an almost familial obligation to collect the dividend and preserve the inheritance. Or you live in Cincinnati and are certain that [Procter & Gamble](#) can survive any calamity.

Yes, Fannie and Freddie and Lehman and WaMu can go to zero or close to it, but not your holding. “It happened to them, but it’s not going to happen to us,” is the argument that F. John Deyeso of [Financial Philosophy](#), a financial planning firm in New York City, hears frequently.

Maybe not. But consider how concentrated your risk is in other aspects of your life. Most of, if not all of, your income is from a single employer. If your spouse works for another one, then perhaps you’re a bit more diversified, but not much.

Your home, if you own one, may well be your largest asset. But it’s a single property in a particular region. Your portfolio is the only place where it’s even possible to diversify much.

Still tempted to cut off your 401(k) contributions, or funnel them all into cash? Well, how will you know when it’s time to get back into stocks? Chances are, by the time you’re comfortable with the markets you will have missed a good chunk of the rebound.

Better, then, to keep investing in a mix of stock and bond funds, international and domestic, large and small, with some alternative asset classes thrown in for good measure, which are appropriate for your goals and risk tolerance.

Through index funds and various similar investments, Mr. Kessel of Abacus Wealth Partners has his clients in more than 11,000 stocks around the world at any given moment.

Though no financial planners wish losses on anyone, plenty of them appreciate the way market calamities reinforce some fundamental truths. “I think these things are great,” said Mr. Joseph of Sentinel Wealth Management.

“It helps people get back to, as boring as it is, the fact that diversification works. And you never end up getting killed in something like this.”

Undiversified without apology? Make your case to rliieber@nytimes.com.

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