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Coping with Financial Anxiety



Financial Thoughts

by John Schooler

This week I had a wonderful couple in my office and you know who you are. We were delivering their financial plan to them and had to deal with a little financial anxiety. This is very common. I am not saying a visit to me is right up there with a trip to the dentist; however it can be a little stressful. We have some coping techniques.

If the financial news has your blood pressure up, you may be suffering from financial anxiety. Anxiety is part of nature's "fight or flight" mechanism for self-preservation, exhibited physically by increased pulse, faster breathing, increased adrenalin and sweating.

But prolonged states of anxiety can cause physical as well as emotional problems. In short, your mother was right – you can make yourself sick with worry.

With the wounds from the market downturn of the late 1990s still fresh, those worries may seem abundant. Here are a few tips for reducing your financial anxiety.

1. Recognize what you can and cannot control. For the most part, world events like war, terrorism or changes in government or leadership are out of your hands. The same is true for issues like corporate malfeasance; you couldn't have known, because those involved didn't want you – or anyone else – to know. Hindsight is 20/20 but not particularly useful.

2. Know that not every decision you make will, in the end, be the best decision. We all make mistakes. If you use your best judgment at the time, that's all you can do. The only other option is to do nothing – and you may regret that decision even more. Don't chastise yourself for missing the latest "big thing." By the time most people knew about it, the opportunity had passed. Remember, past performance is not a guarantee of future results!

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3. Stick to your plan. Many investors make wrong decisions at the wrong time based solely on emotion. When uncertainty and anxiety run high, that's the time to get professional, trusted and objective advice. Often trends that seem poised to change the face of investing as we know it, wind up being just another blip in history.

4. Modify your plan as needed. Okay, that seems contrary to No. 3 above, but even the best plan should be periodically re-evaluated. Your life may change. Your cash flow may change. The fundamentals that led to your initial investment choices may change. Modifications should be thought out with the same care you took in devising your initial plan.

5. Separate your financial situation from your self-esteem. Your value as a person doesn't depend on the success of your portfolio. Your portfolio provides the means for you to become the person you want to be, whether that's more time with your family, donations to charities or having new experiences. But even without more time, donations or new experiences, your family and peers will love and value you just the same.

The flip side of fear, of course, is that sometimes it actually means something. Fear that your investments won't provide adequate income in your retirement years may signal the need for a more conservative approach. A well thought-out investment plan put together and executed with the help of a professional can alleviate some of that anxiety.

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