How to Cope With Market Declines — Fundstrat's Worksheet

Use this worksheet to guide you to identify your feelings, think rationally, reframe negative thoughts, and stay focused on your long-term investing goals. Print it out and fill it in by hand whenever you feel financial stress from market volatility.

1. Identify Your Emotions and Triggers

It's natural to struggle to manage emotions during times of market declines. Start by naming exactly what you feel and what sparked it.

Current emotion(s): What am I feeling right now? Jot down any thoughts and physical sensation (e.g., fear, stress, anger, confusion):

Trigger event: What happened that brought on these feelings? (e.g., saw portfolio drop 10%, read an alarming news headline):

2. Rationally Reflect on the Market

Now, take a step back and remind yourself of your original investment thesis to figure out if it's worth deviating from that just because of recent market declines. Use the prompts below to ground your thinking in reality and context:

- Investment time horizon: How long do I plan to stay invested (when will I need this money)?
    - Time Horizon: ___________ years (Longer horizons allow time to recover from downturns).

- Fundamentals check: Have the fundamentals of my holdings changed? (Consider business fundamentals like earnings, debt, or competitive outlook.)

  If yes: What has changed materially?

  - If no: Remind yourself that if long-term fundamentals haven't changed, then the price could revert to mean. Write "No major change; core business/value intact." as a note to yourself.

- Original investment reasoning: Why did I invest in these stocks/funds in the first place? (e.g., for long-term growth, dividends, belief in the company's prospects).
  Thesis:

  - Does that original reasoning still hold true? If so, does it make sense to stay the course?

3. Use Cognitive Reframing To Turn Negative Thoughts into Positive Ones

Instead of trying to cancel out negative thoughts (which is impossible at times), turn them into positive ones. This will allow yourself to think in a calmer, more objective way.

For each upsetting thought you have about the downturn, write it down, then deliberately reframe it into a more realistic or positive statement. This is harder to do than you think, but give it your best shot.

Example:

Negative thought: I've lost so much money; I'll never recover from this.

Reframed perspective: Market volatility is a normal part of investing, and downturns are usually temporary. I have a long-term plan, so this loss is on paper and can recover as the market stabilizes.

Now, try it with your own thoughts:

Negative thought:

____
____
____
____

Reframed perspective:

____
____
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____

4. Revisit Your Long-Term Goals and Strategy (Checklist)

Use the checklist below to reaffirm your commitment to your plan and to check how you're faring with respect to your financial objectives:

- ☐ Long-term goals reminder: Remind yourself you're still on track for your long-term retirement goal, such as retirement at age 65 with $X saved or fund your children's education in 15 years.
  Goal: ____

- ☐ Time horizon is intact: I confirmed that my investment time horizon is about ___ more years. I won't need to withdraw this money immediately, which means I can ride out short-term market fluctuations.

- ☐ Risk tolerance check: I acknowledge that the current volatility, while uncomfortable, doesn't exceed what I decided I could tolerate for long-term growth.

- ☐ No fundamental strategy change: Nothing about my personal financial situation or the fundamentals of my portfolio has changed enough to warrant abandoning my plan. Therefore, I will not make drastic changes based on fear alone.

- ☐ Stick to the plan: I will stick to my investment strategy and rules rather than making impulsive moves. I know that I have a plan, and I will continue to follow it.

- ☐ Historical perspective: I reminded myself that market pullbacks have happened before and eventually recovered. While past performance isn't a guarantee, history shows that staying invested through downturns has been a successful strategy for long-term investors.

5. Calming and Grounding Exercises

Finally, use a brief calming exercise to reduce stress and center yourself. Choose one of the following grounding exercises:

Deep breathing:
Find a comfortable seat and close your eyes. Slowly inhale through your nose for a count of 4, feeling your abdomen expand. Then exhale gently through your mouth for a count of 6, emptying your lungs. Repeat this deep, slow breathing for at least 5 breaths or until you notice your heart rate calming. Focus your attention only on your breath. If your mind races, gently bring your focus back to the breathing. This simple exercise can activate your body's natural calming response, helping you feel safer and think more clearly.

Gratitude reflection:
Take a moment to list 3 things you are grateful for right now, even in the midst of this downturn. They could be unrelated to finances (e.g., supportive family, good health, a stable job) or related positives (e.g., having a long-term investment plan, opportunity to buy stocks at lower prices). By consciously focusing on gratitude, you can shift your mind away from fear and remind yourself of the good in your life. Write them down below:

1. ____
2. ____
3. ____

Take a break, or go touch grass:
If you're still feeling overwhelmed, give yourself permission to step away for a bit. Unplug from market news and do something calming: take a short walk, stretch, drink water, or engage in a hobby. Even a brief break can help clear your mind. When you return, you may find you have a fresher, more balanced perspective.

Stay focused, stay rational, and remember why you're investing. This downturn, like others before it, is a chapter in your long-term journey – not the final story.