

Staying the Course in Volatile Times: A Long-Term Perspective on Market Turbulence

Markets have been swinging wildly lately, spurred in part by the latest round of tariffs and geopolitical tensions. It can feel unsettling—even nerve-racking—when you see headlines flashing red and your portfolio's value dipping seemingly overnight. But before you make any drastic moves, remember that short-term volatility is often the price we pay for higher long-term returns. Below, we'll explore why keeping a long-term perspective is vital, how liquidity can help you navigate rough patches, and why these turbulent times might even present opportunities for disciplined investors.



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1. Volatility Is Normal—and Temporary

It's natural to be anxious when the market drops several percentage points in a week or a day. Our instincts scream for us to "do something," often leading to the impulse to sell and move into cash. Yet history has consistently shown that markets eventually recover from these short-term declines. Over and over, we've seen that time in the market typically beats timing the market.

Why does the market swing so wildly?

In the short term, the stock market can behave more like a voting machine—a place where investor sentiment, momentum, and fear can drive prices

up or down. As Warren Buffett often references, Mr. Market is manic-depressive: on some days, he's euphoric; on others, he's in despair. Selling in panic when prices dip doesn't reflect the long-term fundamentals of the businesses underlying those stocks—it simply locks in losses that might otherwise recover in the coming weeks or months.

2. Sufficient Liquidity: Your Safety Net in a Storm

One of the key ingredients in weathering market volatility is having enough liquidity. If you're retired or drawing income from your portfolio, ensuring you have a buffer in stable, accessible assets lets you avoid selling stocks in a downturn to meet living

expenses. Rather than panic-selling at a loss to generate cash, you can ride out temporary market slumps, giving your growth-oriented investments time to rebound.

Emergency Cash Reserves:

Generally, having at least a few months of living expenses in cash or cash equivalents can provide a vital cushion.

Short-Term vs. Long-Term:

Separate the portion of your portfolio you'll need soon from the part you'll keep invested for longer horizons. This prevents you from tapping into growth assets at the wrong time.

“Short-term volatility is the entry fee for long-term, inflation-beating returns.”



3. The Market Isn't "Broken"—It's Just Emotional

A recurring question we get is: "The market's going haywire; is it fundamentally broken?" The short answer is: no. The market is simply reflecting investors' collective emotions, news reactions, and short-term anxieties. These forces can push stock prices below their intrinsic values, especially when fear becomes widespread.

- **Mispricing and Momentum:** When negative headlines dominate, investors often sell, further depressing prices. This momentum can push stock values down to levels that don't match the companies' underlying fundamentals.

- **Short-Term vs. Fundamentals:** Our portfolio manager believes we're in a short-term volatility cycle driven by news and sentiment, but many companies remain strong fundamentally. That mismatch can create long-term opportunities.

4. Opportunity in Distressed Prices

Ironically, at the start of the year, many worried the market was "too high," or that certain stocks were overvalued. Now, those same stocks may be available at 10%, 15%, or 20% discounts—yet investors hesitate because of fear.

- **Buying on Sale:** The market turbulence can serve as a clearance sale for patient, disciplined investors. If you were willing to buy a stock or fund at a higher price a few months ago, why not purchase more now, especially if the long-term outlook remains sound?

- **Behavioral Insight:** This is the classic conundrum—people often love discounts in everyday life (think Black Friday sales) but shy away when the stock market serves up bargains.

5. The Importance of Staying Invested for the Long Haul

If you're investing for decades—or potentially supporting retirement for 20–30 years—short-term fluctuations are just noise. The real risk isn't temporary market declines, but rather:

- **Losing Purchasing Power:** Failing to keep up with inflation can erode your standard of living. Holding too much in "safe" low-yield assets could lead to guaranteed losses in real (inflation-adjusted) terms.

- **Running Out of Money:** If your assets don't grow sufficiently and you spend down principal, you risk depleting funds prematurely.

- **Behavior-Driven Errors:** Selling low and buying high out of fear or greed, locking in losses rather than letting the market recover.

One of the biggest advantages of a long-term perspective is being able to separate market noise from company fundamentals. If a business's prospects, cash flow, and competitive edge remain strong, a short-term price swing may be more emotional than rational—allowing you to buy or hold with confidence.

6. Your Portfolio Is Being Monitored and Adjusted

If you're concerned about what's happening in your account right now, remember that we are actively managing portfolios to take advantage of tax efficiencies, realignment, and potential opportunities:

- **Tax Efficiency:** In down markets, we can harvest losses to offset capital gains elsewhere, reducing your overall tax bill.

- **Rebalancing:** Lower prices in equities could mean it's time to shift some capital from overweight or outperforming sectors into underpriced areas of the market, positioning you to benefit when prices recover.

- **Opportunity Scouting:** We're not sitting idle. We're continuously evaluating which sectors or individual stocks have become undervalued and might offer attractive long-term growth.



7. Embracing a Long-Term Perspective

Ultimately, market volatility is part of the investment landscape. Short-term fluctuations needn't be a hurdle if you have sufficient liquidity, a clear plan, and a commitment to your long-term goals. Rather than being a threat, these dips can offer chances to strengthen your portfolio with fundamentally solid assets at lower prices.

- **Emotional Control:** Recognize that panic and euphoria can derail your best-laid plans. Stay anchored to your time horizon.
- **Strategic Outlook:** Align your portfolio with your long-term objectives, knowing that short-term dips can be temporary setbacks—and sometimes, opportunities.
- **Active Guidance:** Lean on professional advice that balances risk management with the pursuit of long-term returns.

A Final Word: Focus on the Big Picture

Yes, the market is volatile. Yes, short-term fluctuations can be frustrating or even unsettling. But panic rarely leads to good decisions. By maintaining adequate liquidity, keeping sight of your long-term objectives, and understanding how mispricing can offer hidden bargains, you can turn what feels like chaos into a potential advantage.

The fundamentals that supported higher prices earlier in the year haven't necessarily disappeared; they're simply overshadowed by near-term headlines and emotional trading. If your conviction in those fundamentals was strong enough to buy at higher valuations, then reason suggests it's even more compelling now, at lower prices.

Remember: short-term volatility is the entry fee for long-term, inflation-beating returns. Rather than fighting it, prepare for it—embrace it—and use it to your

benefit. With the right perspective, you can emerge from tumultuous times with a stronger, more resilient portfolio.

(Please note that all investing involves risk, and past performance is no guarantee of future results. This article is for informational purposes only and does not constitute financial advice. For personalized recommendations, consider consulting a qualified professional.)

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Jonathan Miller is the Founder and CEO of Parsonex Enterprises, a multi-entity financial services holding company that includes FINRA-registered broker-dealers, SEC-registered investment advisory firms, and an integrated tax services practice. He is an Accredited Wealth Management Advisor. His investment philosophy centers on disciplined long-term equity ownership, behavioral awareness, and the belief that financial independence—not retirement by a certain age—is the real goal of wealth management.

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