HOW A FINANCIAL PLAN HELPS YOU ENDURE MARKET VOLATILITY

Your portfolio may be designed to give you the best chance of achieving your financial goals. Unfortunately, the market doesn't care about your risk tolerance or your goals.

THE MARKET HAS A MIND OF ITS OWN

A key characteristic of a well-designed financial plan is the consideration of market volatility—and for good reason.

For example, let's say in 2000 you were 55 years old and wanted to retire in a decade. You calculated that your portfolio needed to average annual returns of 10 percent to reach your retirement goal by 2010.

Unfortunately, after the crash of 2008, that carefully designed portfolio meant nothing. In fact, you probably would have reached 2010 with about the same amount of money you started with (if you were lucky).

Building wealth over time may seem like a futile effort, but a well-designed financial plan can help you brave the ever-changing ebbs and flows of the market.

A LIVING, BREATHING PLAN

A financial plan can give you a better idea of how to meet your goals. Any good financial plan is dynamic. People often see their financial plans as fixed in stone. You don't want to wander too far away from your goals—but goals change. As your goals evolve, your plan must change too.

Life changes can affect your financial goals as much as market changes. You may get a new job, enter a new tax bracket, or buy a home. You may have a baby or get a divorce. You may hear a hot stock tip—or warning—that you want to act on. You may decide to file for Social Security at the minimum age or postpone filing until the maximum.

Here's the truth: There's no way to predict what mix of assets will return 10 percent a year for the next decade. But you can build a plan that accounts for the different scenarios that life could throw at you.

WHAT SHOULD YOU DO?

Your best first defense is to be aware of current trends by using the resources you have around you. Keep in touch with your financial professional. With a prudent financial plan and the right supporting resources, you decrease the risk of being blindsided by unexpected factors that could negatively impact your financial situation. Focus on what you want to do with your money—not the trends and noise that could pull you off track.

Another thing that could potentially derail your best-laid plans: emotions. Emotions can distract from goals by driving you to deviate from your plan. Instead of letting market gyrations dictate your actions, always look to your plan for guidance.

A good plan that's carefully laid out in partnership with a financial professional should walk you through various simulations so you make rational decisions well before emergencies arise.

ENJOY THE SECURITY A FINANCIAL PLAN BRINGS

There's no way to see into the future, but there's one thing you can predict: Markets will always be unpredictable.

It's a financial planner's job to collaborate with you on a thoughtfully designed plan that accounts for any issues that could derail your plan. This allows you to endure the inevitable bad times with confidence.

So if you have a plan, stick with it, and make sure it's updated as your goals shift. If you don't have a plan yet and are just focusing on investing advice, you're missing out on the sense of security that a quality financial plan can provide.