

5 Things to Freak Out About (The Motley Fool)

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Our fellow Americans are experiencing a world of hurt -- layoffs, postponed retirements, foreclosures, bankruptcies, and, at best, angst and uncertainty. Your empathy is appreciated, but is that really the best use of your energy right now?

No it's not. Not that you need anyone's permission, but here it is: It's time to be self-centered -- to be selfish and absorbed with your own financial situation. Freaking out about things that are out of your control won't magically make the stock market bounce back and unemployment reverse itself.

If you want to freak out about something, freak out about your issues -- in particular, the things over which you do have some measure of control. Here are five:

1. Corral your cash flow: You know deep inside (or maybe not so deep) what you need and what you simply want -- in other words, [stuff you don't need](#). It's time to prioritize -- formally, as in on paper tacked onto the fridge. Schedule a quarterly financial review -- here's [an agenda](#) you can use.

2. Make sure your short-term money is safe: It's never heartening to see a bank go belly up. Still, don't ignore the built-in safety net that your bank offers, namely FDIC insurance. First, check to make sure your deposits are indeed insured by the FDIC. The aptly titled "[The New Rules of Safe Banking](#)" will show you how. If your balances exceed coverage limits (\$250,000 for most deposit accounts and \$250,000 for qualified retirement accounts), move the excesses into another FDIC-insured institution, and not just a different branch of the same bank.

3. Remove some risk from your portfolio: If you neglected to review your portfolio before Wall Street imploded, it's still not too late. Take a look at how your assets are allocated. The idea is to hold a mix of asset classes that don't always move in the same direction. Are you properly diversified? [Is your portfolio too stock-heavy for your time horizon?](#) A portfolio [spread out](#) among, for example, small U.S. stocks, large international stocks, bonds, emerging

markets and cash offers a much smoother ride. A bad run for one asset class can be offset by another that's having a bang-up year (or at least one that's not tragic).

4. Keep calm, think long: It may be hard to look at your investments and not have an emotional reaction. Try anyway. Investing decisions based on emotional reactions rarely ever work out well. Over the long term -- "long term" is key here, folks -- the stock market rewards plain old level-headedness. Markets like the one we're in now really test our risk tolerances. Maybe you thought you could handle volatility -- so how does it feel in practice?

Arlington, Va.-based financial life planner Lisa Kirchenbauer put this situation in perspective for her clients by posing a relatively simple question:

Will you be more upset if you stay in the market and it continues to go down for an extended time (i.e. months, not days or weeks)? Or will you be more upset if you were to get out of your stock investments now, only to watch the stock market rally and you miss the recovery?

As you can guess, there is no single right answer -- just the right answer for each individual. We presented five of our ideas in a special report: "[What Investors Should Be Doing Right Now.](#)"

5. Do something. Or not: Depending on your response to the question above, you may need to make some adjustments to your investment approach. So hop to it! If you're feeling queasy about adding more money to stocks right now, funnel that savings into your emergency fund. If missing a recovery would upset you more, then this may be a great time to buy, or at least stay put for a while (so long as you are adequately diversified).

The point is that these are decisions you can control. It's your money, and there are many ways in which you call the shots. Yup, that's right -- in the end, it really is all about you.

More things worth obsessing about:

- [How to Fix Your 401\(k\)](#)
- [Your Portfolio: Crashed and Burned?](#)
- [The World Won't End](#)

During her downtime, [Dayana Yochim](#) works doggedly on her personal bailout plan, which includes hugs. Lots and lots of hugs. The Fool has a [disclosure policy](#).

