

# TOP 5 INVESTOR MISTAKES IN VOLATILE MARKETS

How to protect and grow wealth  
during uncertain times

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# TOP 5 INVESTOR MISTAKES IN VOLATILE MARKETS

## How to protect and grow wealth during uncertain times

Navigating financial markets can seem intimidating, particularly when economic conditions become uncertain. Currently, global events, including ongoing tensions involving the US, Israel, and Iran, are causing increased volatility in investment markets. These geopolitical developments can lead to sudden price fluctuations and greater uncertainty, which may be unsettling for families seeking to safeguard their financial future.

**F**or families establishing their futures in Norfolk, Suffolk, and Essex, knowing how to protect and grow wealth during uncertain times is crucial. Market fluctuations are a normal part of investing, yet they often lead to decisions that can undermine long-term financial security. By adhering to proven investment principles, even amidst global unrest, you can stay on track to achieve your family's objectives.

At DG Financial Services, we regularly see how sudden market movements, often triggered by international crises and policy shifts, impact family portfolios across East Anglia. Whether you are saving for your children's university fees, planning an early retirement, or preserving wealth for the next generation, avoiding common pitfalls is crucial to achieving your financial ambitions.

### UNDERSTANDING MARKET VOLATILITY AND YOUR FAMILY WEALTH

Market volatility describes how rapidly an investment's price shifts over a given period. Due to ongoing political tensions involving the US, Israel, and Iran, markets are especially susceptible to sharp movements in response to global headlines. When prices change significantly, it can be distressing for your hard-earned money.

Nonetheless, these fluctuations are often temporary reactions to world events, economic data, or government policy changes. Recognising that today's volatility, much of it driven by complex international affairs, is a normal part of the investment cycle helps you maintain perspective when the headlines turn negative.

### MISTAKE 1: SELLING INVESTMENTS IN A PANIC

The most common error investors make during volatile periods is selling off their assets when prices drop. Global political unrest, like the current uncertainty surrounding the US, Israel, and Iran, can cause sharp falls in stock markets. The emotional urge to stop the impact is incredibly strong when faced with headlines about escalating conflict or trade disruptions. However, selling in a downturn simply turns temporary paper losses into permanent, locked-in financial damage.

Imagine someone panicked during a recent market dip and moved everything into cash. This action not only locked in their losses but also caused them to miss out on the subsequent market rebound. Despite today's headlines,

remember that markets have historically trended upwards over the long term, and the sharpest recoveries often happen immediately after the steepest declines, sometimes triggered by the resolution of global tensions.

### **WHY EMOTIONAL DECISIONS DESTROY LONG-TERM WEALTH**

Human psychology is wired to react strongly to the threat of loss, often more so than the prospect of gain. This behavioural bias, known as loss aversion, causes many sensible investors to abandon their carefully crafted financial plans at the worst possible moment. During times of international crisis, such as those involving the US, Israel, and Iran, media coverage can heighten emotions and prompt rash actions. Reacting emotionally rather than logically hampers the compounding growth needed for long-term success.

At DG Financial Services, we help clients separate their emotions from their investment decisions. By maintaining a clear focus on long-term goals, such as funding a comfortable retirement, you can avoid making impulsive choices driven by short-term fear, especially when such fears are heightened by global events.

### **HIDDEN COST OF MISSING THE BEST RECOVERY DAYS**

When you sell out of the market during a period of volatility, you must eventually decide when to buy back in. This requires making two nearly impossible decisions: timing the exit and the reentry. Missing just a handful of the market's best days can severely reduce your overall returns over a 10- or 20-year period. This is particularly true in global crises, when markets often rebound quickly after the initial shock subsides.

Data consistently shows that remaining fully invested through market cycles, even amid international uncertainty, yields better outcomes than trying to time the market. A portfolio that stays invested captures the full upside of the recovery, ensuring your family's financial plan remains on track regardless of temporary economic storms.

### **MISTAKE 2: FAILING TO DIVERSIFY YOUR PORTFOLIO**

Diversification is the practice of spreading your investments across different asset classes, sectors, and geographical regions. A surprising number of investors hold highly concentrated portfolios, believing that picking a few familiar companies is a safe strategy. In volatile markets, especially those shaped

by geopolitical events, this lack of diversification exposes your wealth to unnecessary risks.

If your entire portfolio is heavily concentrated in a single sector or country, shocks resulting from global conflicts, such as the current situation involving the US, Israel, and Iran, could wipe out a large part of your family's savings. For families relying on their investments for future stability, a concentrated portfolio is a gamble rather than a secure financial plan.

### **SPREADING RISK ACROSS DIFFERENT ASSET CLASSES**

A well-diversified portfolio includes a mix of equities, bonds, property, and cash. Because these asset classes rarely move in the same direction at the same time, gains in one area can help offset losses in another, especially during periods of international tension. This smoothing effect reduces the overall volatility of your investments.

For example, when stock markets decline amid global uncertainty, government and high-quality corporate bonds often hold their value or even rise. By holding a blended portfolio tailored to your specific risk tolerance, you cushion the blow of market shocks and protect your family's long-term purchasing

power, even as geopolitical headlines dominate the news.

### **THE DANGER OF HOME BIAS IN INVESTING**

Many investors suffer from ‘home bias’, meaning they invest a disproportionate amount of their wealth in British companies. While it is comfortable to invest in familiar names on the London Stock Exchange, the UK accounts for only a small percentage of the global equity market. In today’s environment, where overseas events can quickly ripple through international markets, overlooking international opportunities limits your growth potential and increases local economic risks.

Global diversification ensures your portfolio benefits from emerging markets’ growth and technological progress in the US and Asia, while also offering a buffer during region-specific turmoil. At DG Financial Services, we create globally diversified portfolios that help protect East Anglian families from purely domestic or region-specific economic shocks.

### **MISTAKE 3: TRYING TO TIME THE MARKET**

Market timing involves predicting future price movements to buy at the bottom and sell at the top. Even professional fund managers with extensive resources find it difficult to get this consistently right. In today’s environment, with markets reacting swiftly to every new headline regarding the US, Israel, and Iran, attempting to time the market often leads to buying high out of excitement and selling low out of fear.

The financial markets react to new information instantly, making it impossible to reliably predict short-term movements. Families saving for property upgrades or school fees cannot afford to treat their investment portfolios like a

gamble based on guesswork, especially when international politics are in flux.

### **THE BENEFITS OF POUND-COST AVERAGING**

Instead of trying to time the market, a far more effective strategy is pound-cost averaging. This involves investing a fixed amount of money at regular intervals, regardless of what the market is doing. When prices are high, your fixed contribution buys fewer shares, and when prices are low, it buys more.

Over time, this strategy smooths out the average cost of your investments and entirely removes the emotional stress of deciding when to invest. For a family setting aside money each month for their children, pound-cost averaging turns market volatility, including that caused by global conflict, into an advantage rather than a threat.

### **STAYING DISCIPLINED DURING ECONOMIC UNCERTAINTY**

Discipline is the foundation of successful investing. Maintaining a regular investment routine requires ignoring the daily noise of financial news channels and newspaper headlines, especially during periods of international unrest. The media thrives on sensationalism, but building wealth successfully depends on patience and consistency.

By automating your investments, you eliminate the temptation to meddle with your strategy. This disciplined approach ensures your wealth continues to grow steadily, providing a secure financial foundation for your family’s future and beyond, even when the global outlook appears unpredictable.

### **MISTAKE 4: CHECKING YOUR PORTFOLIO TOO FREQUENTLY**

In the digital age, you can view your investment balance with a simple tap on

your smartphone. While this convenience is remarkable, it also encourages a dangerous habit: obsessively monitoring your portfolio. During international tensions, such as escalating developments, market swings can look especially daunting. Checking your investments daily or weekly heightens your anxiety and increases the likelihood of making impulsive decisions.

Short-term market fluctuations are completely normal, but witnessing them in real-time can be very stressful. If you are investing for a retirement that is still 15 years away, what the market does on any random Tuesday in March is entirely irrelevant to your long-term success.

### **THE ROLE OF A TRUSTED FINANCIAL ADVISER**

Having an expert between you and your portfolio offers a valuable buffer against emotional reactions. At DG Financial Services, we serve as a sounding board, providing objective advice and helping you stay focused on the bigger picture, especially during uncertain times caused by global events. When markets decline, we are here to reassure you and prevent costly errors.

We relieve you of the burden of market monitoring, allowing you to spend your time enjoying life with your family. Knowing that professionals are managing your wealth provides a profound sense of peace of mind during turbulent economic times.

### **MISTAKE 5: IGNORING YOUR RISK PROFILE AND CAPACITY FOR LOSS**

Your risk profile combines how much risk you are willing to take (risk tolerance) and how much risk you can genuinely afford to bear (capacity for loss). A common mistake investors make is holding a portfolio that does not accurately match their true risk profile. During periods of heightened global uncertainty and



volatility, an overly aggressive portfolio can lead to serious financial hardship.

Conversely, holding an overly cautious portfolio heavily weighted in cash can mean your investments fail to keep pace with inflation. Inflation gradually erodes your purchasing power, meaning your money will buy less in the future. Finding the right balance is essential for long-term security.

### THE IMPACT OF INFLATION ON CASH HOLDINGS

During turbulent times, many investors see cash as a safe haven. While having an emergency fund is a key part of financial planning, holding too much cash over the long term is a sure way to lose wealth in real terms. With interest rates often below inflation, especially during periods of geopolitical uncertainty, the value of cash gradually declines each year.

To attain genuine growth and safeguard your family's standard of living, your money must be invested in assets that outperform inflation. Embracing a level of market volatility, partly caused by international developments, is simply the cost of entry for achieving long-term, inflation-beating returns.

### THE DANGER OF FOLLOWING HERD MENTALITY

In the world of investing, following the crowd is seldom a profitable strategy. When everyone is purchasing a particular asset because it is prominently featured in the news, it is usually overvalued. Conversely, when the crowd is selling out of fear, assets are often undervalued, providing excellent long-term opportunities. Global stories can influence herd behaviour and increase your risk of making costly mistakes.

Successful investing depends on independent thinking and a readiness to

adhere to your personal plan, even when it feels uncomfortable. Relying on the strategy you have established with your financial adviser shields you from the harmful cycle of herd mentality. ■

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## Don't delay. Contact DG Financial Services today

Do not let market volatility, especially when caused by developments in the US, Israel, Iran, and other regions, jeopardise your family's financial security. If you live in Norfolk, Suffolk, or Essex and need expert, personalised advice on managing your investments, contact our dedicated team.

Contact DG Financial Services today to organise a thorough portfolio review and discover how we can help you build and safeguard your wealth with confidence.



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