Experts: Wall Street slump offers time to re-evaluate risk, but no need to panic

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Don't think of Wall Street's schizophrenic behavior Wednesday as the final insult in what's been the stock market's worst start of a new year in history.

Think of it as an opportunity to reconsider how much risk you can bear living in a 24-hour news cycle world where blaring headlines about Wall Street's gyrations are impossible to avoid.

"This is a great time to re-evaluate your risk tolerance," said Christopher McMahon of McMahon Financial Advisors in Mt. Lebanon.

Mr. McMahon said there's been a slight uptick in calls from distressed clients on days like Wednesday, when the Dow Jones Industrial average fell 565 points to a two-year low before finishing off 249.28, or 1.6 percent, at 15,766.74. Wednesday's contortions left the widely watched index off 9.5 percent so far this year.

Other investment managers say the rocky start has them fielding slightly more calls. But the number is nothing like it was during the market collapse of 2008-09.

“Virtually no one has completely forgotten the Great Recession,” Matt Yanni of Yanni & Associates in Franklin Park wrote in an email. “The severity in this month’s market drop is very similar to what happened in August 2015 and by no means as steep as what happened in 2008.”

Mr. Yanni said there have been a few more calls than normal, with most of them coming last Friday, when S&P 500 fell 2.2 percent.

Only one client asked to sell all his stocks and put the proceeds into cash temporarily.

“I supported him on this because I believed this move is what he needs to occur … to suit his comfort level,” Mr. Yanni wrote.

Nick Besh, who oversees 19 investment officers at PNC Wealth Management, Downtown, said the number of calls in recent weeks “doesn’t seem extremely high.”

“I do think people take a closer look at what’s going on when they hear the market’s off to its worst start for any year,” Mr. Besh said. “There’s a lot of questions, concerns, but not panic.”

Mr. McMahon, Mr. Yanni and Mr. Besh serve affluent clients who have an adviser to hold their hands in trying times. Investors who don’t have that guidance may be more vulnerable to buying and selling at inappropriate times.

The advisers said when they take on new clients, they determine how much risk those individuals can bear, their financial goals, and then allocate their assets among stocks, bonds and other investments based on their risk tolerance and goals.

Being reminded that their portfolio was designed to generate long-term returns that match their goals without exposing them to more risk than they are willing to take usually is enough to reassure most anxious callers, the advisers said.

For other investors, market swoons give them pause.

“Some folks just can’t bear a down market at all. They should probably adjust their risk tolerance after all the dust settles,” Mr. McMahon said.

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