

**[Build asset buffers to protect yourself from market volatility](#)**

**Category : Financial Decision Rules**

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*Summary:* You may be just as nervous as the next person is about investment risk. However, the coverage of your future expenses by your accumulated assets will determine whether you can actually manage, when risk really happens. A previous article, "[The Solution - ONLY follow financial strategies that are scientific, passive, diversified, savings focused, risk controlled, low cost, and tax efficient](#)," suggested that individuals are much better off with a well-considered financial viewpoint. A stable set of financial beliefs can help you to keep focused and on track throughout your life. This follow-up article discusses the need to build asset buffers to anticipate future turbulence in asset market values and personal income. Markets have more often delivered good rather than bad returns, which makes them worth participating in, if you can tolerate the volatility. However, sometimes the equity markets in particular can decline in a very nasty manner. You can never tell when this will happen or whether it will be quick or slow. Rates of subsequent recovery in equity market values are similarly unpredictable. Therefore, one requirement of investing is to ensure that you can ride out these negative equity market vicissitudes without being forced to liquidate or sell in a panic. More substantial asset buffers and better knowledge of the projected coverage of your expenses by your less volatile cash and fixed income assets will help you to ride out these bad times.

How VeriPlan can help: [VeriPlan projects the safety margin that your cash and fixed income assets may provide to cover your projected expenses](#). This feature compares your projected expenses against the projected value of your cash and shorter-term fixed income assets. It simulates the situation when, simultaneously, the equity markets decline significantly and you lose all earned and retirement income sources. However unlikely this may seem, it tells you how strong your boat could be.

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