



Don't make these mistakes during a crash

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The S&P BSE Sensex cracked over 880 points on Monday amid fears that lockdowns imposed to curb the spread of covid will derail India's economic recovery. The Sensex has corrected over 4% since the start of April. Is this the start of another correction like we saw last year? Experts are advising jittery investors not to commit the following mistakes this time.

Don't exit equities: The worst thing to do during a market crash is to sell your equity investments. Many investors did the same as the Sensex crashed around 30% in March 2020 as soon as covid was declared a pandemic. They may have regretted their decision as the value of the Sensex has almost doubled since then. It is obvious to feel jittery during a crash. However, exiting equities can prove fatal for long-term goals as you may miss out on subsequent rallies.

"One shouldn't be looking at markets every day if you are a long-term investor. Avoid being emotional about investments. Be emotional about goals, not investments. One day won't make a difference in a 10-year journey. Look at the big picture," said Shweta Jain, a certified financial planner.

Experts say that investors should use these dips to build their long-term portfolio.

"Use these dips to make incremental investments if you are planning to invest in equities for the long term," said Anil Rego, CEO, Right Horizons, and a Sebi-registered investment adviser.

Not diversifying: Diversification helps in bringing down volatility. This basically relies on the principle that not all asset classes will do badly or do well at the same time. Therefore, it is important that you diversify across asset classes as well as geographies.

Some experts are advising their clients to diversify across international markets as the economic recovery post covid may vary. "We are continuing to advise investors to have incremental exposure to international assets to address geographical concentration risks as different geographies are in different phases of vaccination and lockdowns," said Vishal Dhawan, founder of Plan Ahead Wealth Advisors, a Sebi-registered investment advisory firm.

However, your allocation to an asset class should be in line with your overall goal.

Not rebalancing: Equity markets have gained around 90% since their March 2020 lows. If your portfolio is overweight on equities, it will be better that you rebalance the portfolio and diversify across other assets. Being overweight on equity could lead to higher erosion in your portfolio in case there is a correction.

"We are rebalancing investors' portfolios that have become overweight on equities and moving towards bonds and gold," said Dhawan.

It is also important that you have an emergency corpus equivalent to at least five-six months' expenses to take care of any exigencies.