

The News, the Noise, and Your Money

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Do you ever find yourself yelling at the TV? I do. It upsets me to hear reports that sensationalize events and scare people—especially when it comes to money and markets. They may say bad news sells, but it also creates heightened emotions and fear for the future. And that's the last thing you want to be driving your financial decisions.

As an example, let's go back to 2008. I knew a couple who had agreed on a solid financial plan. But when the downturn happened, the wife was comfortable sticking with their plan because it still showed a high probability of success. But the husband wanted to sell and go all cash. He felt sure everything was going to tank, and he couldn't bear the sense of loss. He was so upset, he ended up in the hospital. Fortunately, by looking at the data around long-term stock market performance and talking through several 'what if' scenarios, he ultimately calmed down and didn't act on his fears. And the market did come back over time.

It's not always easy, but to me one of the best ways to counter your fears is to look at the facts. There will always be a certain amount of market volatility, even in the good years. And in the short-term, sensational headlines can create ups and downs that could be unnerving. But history shows that investors who stick to their plan and have a portfolio based on their capacity and tolerance for risk tend to have better wealth outcomes over time.

So instead of being panicked by the news, revisit your personal financial plan. Or if you don't have one, consider creating one.

If you are watching or reading the news, look at the trends for things like economic data, consumer confidence, housing numbers, and inflation. For instance, inflation may be higher than a few years ago—but the trend is coming down. Those are some of the factors along with corporate earnings and the regular business cycle that help drive the market long-term.

That's the big picture. But how might this work for you personally?

While the facts give you context, I also think making good money decisions in volatile times comes down to you and when you need your cash. Here's a three-step game plan that could help you combat unsettling news headlines and help you stay on top of your money.

Step 1: Ignore the noise

One of the best ways to ignore the noise is to keep your own timeframe top of mind. When you need your money has nothing to do with election cycles or climate disasters. It has everything to do with your own personal expenses and goals.

Think about what's happening in your life in the next one to three years. What cash will you need to meet a certain goal or cover an added expense? Maybe it's a wedding, the down payment on a house, or a special trip. Whatever it is, make sure you keep the cash to cover it so you know you can live through a sudden down-market cycle. Planning for three years of anticipated expenses can help you stay on track, even if the market hits a rough patch. Plus, it can be a good idea to have an emergency fund in place for

those unexpected occurrences like a job loss or illness.

People take drastic action when they're scared and uncertain about the future. But if you plan and know you have the cash set aside for your short-term needs, you'll be less concerned about any apocalyptic headlines. And more able to take step two.

Step 2: Stick to your plan

To help you stick to your plan, it goes back to you and your timeframe. Having a plan means looking not only at your short-term expenses but also your medium- and long-term goals. How will you save and invest those funds? With money you won't need in the next three years, maybe you can tolerate more volatility.

With an investment plan that's aligned with you as a person, your tolerance for risk, and your financial goals, you'll be less likely to react emotionally and more likely to stay the course through both up and down times.

For extra encouragement, consider becoming a student of the markets. There are charts galore demonstrating that downturns are normal—from the Great Depression to the dot.com crash to 2008 and beyond—and so are the rebounds and recoveries.

Even in tense election years when emotions are running high, markets have historically rewarded those who stick to their plan. When the Schwab Center for Financial Research looked at annual returns of the S&P 500 Index from 1960 to 2023, it was found that the average return in presidential election years was 7.3%, and the average return during non-election years was 8.8%, which is not statistically significant and can't necessarily be attributed to the fact there was an election. Simply put, elections likely don't matter to your portfolio long-term.

Step 3: Stay invested

One of the biggest risks to your long-term goals is not staying invested. You may have heard that time in the market is more important than timing the market. As a young investor in your 20s and 30s you have an asset that no one else has—and that is time. Allowing time to work for you is likely to be effective over the long term.

Sure, a trader looking for short-term success may get in and out. But for the average investor, getting out of the market during uncertain times could be disastrous because if you're not there at the exact right time when things turn around, it could cost a lot of future growth.

Control what you can control

We can't control the weather, but we can prepare and protect ourselves. It's the same with your money. You can't control market volatility, but you can control what you save, what you spend, your asset allocation, your investment costs, and your tax situation.

Need more reassurance? One of my favorite expressions is "out of the darkness, light will come." I try to remember that when the news is particularly upsetting. It's a matter of time and focus—and the awareness that while it might feel bad now, over time things are likely to recover. And by ignoring the noise, sticking to your plan, and staying invested, so will you.

Explore more topics

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