BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Riding Out Rough Market Conditions

Sometimes, investors are in for a bumpy ride. Dips in key economic sectors can come together in a perfect storm. When that happens, the economy as a whole seems to get the jitters — and that can be contagious.

When an unsettled economic climate combines with even a modest increase in the cost of living, you may be tempted to head for safety by getting out of stocks. Or you might decide to cut back on the amount you're saving for retirement or stop contributing altogether. But before you make any decisions about your retirement investments, take a deep breath — then take a step back so you can look at the big picture.

The Big Picture

The economy and the stock market tend to be cyclical. Certain stocks are particularly sensitive to the state of the economy and, overall, stocks can be quite volatile. What's happening now is probably not a permanent state of affairs. While it's impossible to predict what will happen with stock prices in the future, the history of the stock market shows that, over time, the stock market has bounced back, even after severe price declines. (See table below.)

What Can You Do?

When the going gets rough, avoid making any sudden changes to your portfolio. They could prove costly. Instead, keep the following guidelines in mind.

- **Put things in perspective**. A 200 or 300 point drop in the Dow Jones Industrial Average (DJIA)* in one day may seem like a huge decline. However, in percentage terms, a 300 point drop when the DJIA is at 12,000 is "only" a 2.5% decline. A 300 point drop when the DJIA is at 14,000 is a 2.14% decline. Although significant, in terms of one-day declines, that type of decline is a relatively small one in the overall history of "top" stock market sell-offs.
- **Take the long view.** Don't forget that as a long-term investor, you have time for your investments to recover from the stock market's downturns. And you have many additional years ahead to benefit from compounding.
- **Don't confuse a paper loss with a real loss**. When the share price of a fund or portfolio in your retirement account drops, it's only a loss on paper. It does not become a

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real loss until you actually sell or switch out of the losing investment. A market rebound can erase a paper loss if the investment's value rises.

- **Look on the bright side**. When stock prices are down, your contributions will likely buy more shares, and you'll be in a better position to benefit from a recovery.

The Bottom Line

It's tough to be an investor when the markets are stormy. And it's difficult to keep saving for retirement when money is tight. But do your best to keep your eye on your long-term goals and contribute as much as you can to your retirement plan. You'll be glad you did when the storm passes.

Annual Return for Large Company Stocks 2008–2015**

2008	2009	2010	2011	2012	2013	2014	2015
(36.99%)	26.45%	15.06%	2.11%	13.41%	32.39%	13.69%	1.38%

*An average of 30 selected companies whose movements can be used to indicate how the overall stock market is doing. Introduced in 1896, it is the oldest measure of stock prices in continuous use.

** Based on the Standard & Poor's 500 Stock Index, an unmanaged index of the stocks of 500 major corporations. You cannot invest directly in an index

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