

BUILDING BLOCKS FOR RETIREMENT

Diversification

Market Ups and Downs: Making the Best of a Sure Thing

What's the stock market doing today — riding a wave crest, languishing in the doldrums, or taking a plunge to the bottom? Whatever it's doing right now, you can be sure of one thing: Sooner or later, it will do the opposite. By taking market volatility into account when you create your investment strategy, you may be better prepared to withstand — and perhaps even benefit from — market swings.



Sign On for the Long Term. When you spot a storm on the horizon, your first impulse is to get out of harm's way. So when stock prices drop significantly, you may be tempted to get out of the stock market and put your money in more conservative investments. Before you jump ship, think about the reasons you chose your investing strategy in the first place. Wasn't it to help you

hold a steady course through rough seas? By waiting out a market downturn, you'll be in a position to benefit from a market upswing if stock values start to rise again. Although there are no guarantees, the stock market has historically regained its value over time.

Choose a Diverse Course. You'll have a better chance of weathering the rough spots if you make sure your portfolio is well diversified.* Choose a mix of investments from a variety of asset classes, industries, economic sectors, and areas of the world. Consider including stocks that come from industries where the demand for goods and services typically isn't affected by changes in the economy. Food, energy, and pharmaceuticals are examples of so-called "defensive" stocks. Don't limit your investments to only one asset class. Bonds and cash alternative investments can also help diversify your portfolio and provide a cushion against risk.

Brighten the Outlook. A market dip offers a great opportunity for picking up stocks at bargain prices. You'll reap the rewards of your purchases if the market rebounds.

* Diversification does not ensure a profit or protect against loss in a declining market.



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