BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Handling Market Volatility

In the investment world, the word "volatility" refers to the changes (or fluctuations) in securities prices that occur every single trading day. An investment or asset class is considered very volatile if its price moves up and down frequently, at times by very large amounts. Volatility can be measured by tracking the range of an investment's or asset class's market price movements over a period of time.

What's happened recently is a good example of market volatility.

Are there lessons you can learn from this period of market volatility? Just as importantly, are there strategies you can employ to bring you closer to your financial goals irrespective of uncertainty in the financial markets? Keep the following in mind as you watch events unfold.

Volatility Is Not Unusual

Securities rise and fall in value every trading day. Price movements are not at all unusual. It is important to put the declines in perspective. The decline in the Dow Jones Industrial Average last week seemed a little scary, but in percentage terms, after a gain of 22.3% last year, it was a decline of 9.1% in the overall value of the Dow. Over this 14 month time interval, there was a net gain of 13.2%.

Paper Losses Don't Become Real Losses Until You Sell

While it's certainly unsettling to see the value of your portfolio decline, it's also important to remember that the decline is only a loss on paper. It does not become real until you decide to sell or redeem those securities.

Diversification Is Key

While there is no guarantee, investing in a combination of stocks, bonds, and money market/ stable value funds is a time-tested strategy for managing risk and may even help improve returns over the long term. Diversification works this way: When one asset class -- stocks, for example -- loses value, another asset class, such as bonds or cash alternatives, may deliver positive returns that can help offset those losses.

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Moreover, you can achieve an additional level of diversification by investing in subgroups within asset classes. Stocks, for example, have many different categories: domestic, international, large capitalization, medium capitalization, and small capitalization. There are also stock mutual funds that invest in specific sectors of the economy, such as health care and telecommunications. However, diversification within an asset class does not ensure a profit or protect against losses in a declining market.

Focus on the Long Term

When the market is volatile and unsettled, it's important to remember why you are investing in the first place. Your long-term investment goals may include retirement, buying a second home, or paying for college for your children. Historically, long-term investors who have stayed calm and remained invested have done better than investors who let their emotions rule their actions and jumped in and out of the market during declines. See the chart for what can happen when you miss the market's best-performing months.

Missing Top-Performing Months in the Stock Market

Annualized Index Return / Potential Value of $1,000			
	30-Year Period (1990-2019)	**20-Year Period (2000-2019)**	**10-Year Period (2010-2019)**
Staying Invested	9.96% / $17,281	6.06% / $3,242	13.56% / $3,567
Missing Top 5 Months	8.18% / $10,589	3.66% / $2,050	8.94% / $2,354
Missing Top 10 Months	6.70% / $7,000	1.62% / $1,380	5.59% / $1,723
Missing Top 15 Months	5.36% / $4,784	-0.13% / $974	3.03% / $1,348
Missing Top 20 Months	4.13% / $3,363	-1.61% / $722	0.93% / $1,097
This table summarizes the potential effects of missing top-performing months of the stock market, assuming investment performance mirrored the performance of the S&P 500.			

Source: ChartSource®, DST Retirement Solutions, LLC, an SS&C company. Stocks are represented by Standard & Poor's Composite Index of 500 stocks, an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Dollar-Cost Average

With dollar-cost averaging, you invest a fixed amount of money on a regular schedule in shares of a stock or a mutual fund. When share prices fall, the fixed amount you invest on schedule buys more shares. You are essentially taking advantage of a "sale" on securities when you continue adding money to your investment account on a regular schedule during times when prices are lower.

Source/Disclaimer:
Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.

You could lose money by investing in a money market mutual fund (Fund). Although a Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. A Fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in a Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. A Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Dollar-cost averaging involves regular, periodic investments in securities regardless of price levels. You should consider your financial ability to continue purchasing shares through periods of high and low prices. This plan does not ensure a profit and does not protect against loss in any markets.

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