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The Power of Perspective in Turbulent Times

Don't let short-term market events derail your long-term strategy

Stock Market Plunges to Lowest Level in Almost 12 Years

– The New York Times *

The Death of Equities

– Businessweek **

After a Wild Week on Wall Street, the World is Different.

– Time Magazine ***

News of market volatility can be scary, and many people react by moving their savings into less risky investments – or by pulling out of the market entirely. Don't forget that when you move money out of an investment, you're selling shares. By selling shares when prices are down, or "selling low," you may miss out on the opportunity to recover in the future. If, however, you leave that money invested, you can benefit if the price of the fund ultimately goes up.

RIPPED FROM TODAY'S HEADLINES?

Sensational headlines have often motivated investors to sell off, but historically speaking, bear markets have typically been followed by bull markets. The above headlines date from 1974, 1979 and 1987, respectively, and the panic they reflect (and possibly contributed to) was followed by a market recovery every time. People typically react to down markets by selling low, but experienced investors often use bear markets as an opportunity to buy low, because when prices are down, they can buy many more shares of an investment than they can during a recovery, when prices rise again. Remember that headlines are a product of a short-term news cycle, and can be as irrational and shortsighted as short-term market fluctuations.

TAKE A DEEP BREATH

Changing your investments can be a great idea, as long as you're doing it for the right reasons. For example, gradually shifting your investment mix from more aggressive to more conservative as you approach retirement; or rebalancing your portfolio on a regular schedule, are both reasonable approaches to long-term investing. Moving all of your money from equities to cash during a market panic is less so, and could lock in losses that you may never recover. When markets are volatile, it can be easy to discard your strategy and follow the herd. Before you decide to initiate any significant transaction in your retirement account, don't act on impulse. Make sure to put your long-term savings strategy ahead of any short-term fears.

UNDERSTANDING IS KEY

It's important to understand how your investments impact your retirement savings. Make sure to review the financial education resources and tools available on Retiresmart.com, or call the Participant Information Center at 800-743-5274. And if you don't want to go it alone, talk to a trusted financial professional for help with creating a holistic investment strategy.

**"Stock Market Plunges 14.55 Points to Lowest Level in Almost 12 Years." The New York Times, Sep 14, 1974.

***"The Death of Equities: How Inflation is destroying the Stock Market." Businessweek, Aug. 13, 1979.

****"After a wild week on Wall Street, the world is different." Time, Nov. 2, 1987.

Past performance is no guarantee of future results.

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