

BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Market Corrections: Around The Next Corner

You know the drill. The market soars just long enough for investors to get used to higher stock values, and then boom, it starts dropping. Suddenly those investments you thought were headed for Jupiter are falling back to Mother Earth.

What Just Happened?

It's possible the market is in the midst of a correction — generally, a decline in stock values of 10% or greater. Corrections typically occur after a sustained robust market. Although corrections are inevitable, there are steps you can take to lessen their impact on your portfolio and to potentially reap the benefits of lower prices.



When Everything's Rosy

Have your stocks been hitting record highs? Consider selling some of your winners. You'll be taking your profits before values drop. And you'll have a cash reserve you can use to buy other investments in the future.

It's Bargain Time!

Are there stocks you've resisted buying because their prices were too high? A market correction offers a perfect opportunity to add stocks to your portfolio at bargain prices. Prepare a "wish list" of stocks you'd like to own if their prices drop. You'll have the profits from your winners to help fund your purchases. However, if you plan to go ahead with your retirement despite a declining market, reducing your exposure to stocks can help protect your nest egg.

Strategy Versus Impulse

It's easy to stick with an investing strategy when your investments are performing well and values are rising. But all bets may be off when prices start to fall. During a correction, it's especially important to adhere to your investment plan and avoid reacting emotionally. Depending on your time horizon and risk tolerance, getting out of the market when prices are down will only lock in your losses. Your best chance for success may be to stay the course and wait for a turnaround.



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