BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Weathering Stormy Markets

When the stock market is especially volatile, you may not know which way to turn. Should you move into calmer investments or ride out the storm? If you're investing to meet long-term goals, such as financing your retirement, you may want to stick with your strategy of a well-diversified* mix of investments.

Taking Shelter Elsewhere

When the stock market experiences widespread losses, you may consider moving your money out of stocks and into more conservative investments, such as bonds and cash alternatives. But keep in mind that these investment types typically provide lower long-term returns than stocks. Settling for the lower returns of more conservative investments may make it harder for you to achieve your long-term goals. Plus, if you move most of your money out of stocks, you may miss out on a potential recovery. While past performance is no guarantee of future results, stocks have eventually recovered after every previous downturn. If your investment goals are long term, you may have time to ride out short-term volatility in the stock market.

Real Losses vs. Paper Losses

If a stock's price drops, it isn't a "real" loss if you don't sell the investment. It's simply a loss on paper. A loss doesn't become real until you sell the investment and move your money elsewhere. You may be able to "erase" a paper loss when you stick with an investment that has declined. If it later rebounds, your paper loss may disappear and you could even have a "paper gain."
Every Cloud Has a Silver Lining

When stock prices are down, you have the opportunity to buy shares at a lower price. If you invest the same amount at regular intervals, your investment can buy more shares during a downturn. Then, if the market later rebounds, you may be well-positioned to take advantage of the recovery.

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

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