



Thrill ride



Remain confident in your long-term strategy when facing short-term market volatility

In 2006, the Cedar Point Amusement Park of Sandusky, Ohio, added a world-record-breaking thrill ride called Skyhawk. Standing 103 feet above the ground, Skyhawk is the tallest ride of its kind in the world.

Skyhawk features two giant swinging arms, each 84 feet in length, with 20 seats on each arm. Riders are pushed toward the sky, and then experience weightlessness as they reverse direction and rush back toward the ground — just like the drop side of a roller coaster. At the peak of the arc, riders on Skyhawk are more than 125 feet in the air and reach speeds of 60 mph in both directions.

While you may not have ever experienced Skyhawk, you are familiar with another famous thrill ride.

It's called the **stock market**.

Financial markets routinely experience volatility that causes prices to tumble. But historically, those prices have come back and eventually moved higher. For sure, it's a bit of a psychological game. Your ability to remain calm through the ups and downs of the market is a major key to successful retirement planning.

Roller coaster

Over the past 20 years, investors have experienced at least four significant market meltdowns:

1987: Strong economic growth fuels inflation concerns, leading to rapidly rising interest rates. Investors take flight from the stock market.

1993: Federal Reserve raises interest rates, causing global bond prices to fall.

1998: Financial turmoil in Southeast Asia creates global panic.

2001-2002: A decade-long run up in stock prices comes to an end. The Internet (in particular the well-documented failures of “dotcom” businesses) as well as corporate scandals (Enron, WorldCom, etc) are key factors that cause stock prices to collapse.

2007: An unsteady sub-prime lending market has caused investors to lose faith in mortgage-backed securities. Millions of mortgage borrowers who were just barely making their house payments began defaulting on loans because of rising interest rates (and the payments on their adjustable rate mortgages) and falling home values. Many investors who had been buying mortgage-backed securities and funds weighted with these types of securities reduced their investments, causing values to go down.

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Staying calm through the ups and downs of the market is a key to retirement planning

Keep your seat belt fastened

Here are some tips to follow during a market downer:

- Keep your investment mix diversified so that poor performance in any one type of investment has a chance of being offset by better performance in another investment category.¹
- Look at the bright side. One of the great things about your retirement plan is that you contribute the same amount each paycheck, regardless of whether the market is up or down. When it's down, you are actually "buying low." You are buying investment shares at a lower price. In other words, for the same amount of money, you receive more shares when the price is down than when it is up. This paves the way for potential growth opportunities for your

Ticket to ride

Despite routine volatility in the financial markets, check out the long-term (30 year) performance figures of these major asset classes:³

| Asset class | Average annual return 1/1/77 – 12/31/07 |
|------------------------|--|
| Stocks ⁴ | 12.68% |
| Bonds ⁵ | 8.62% |
| Cash ⁶ | 6.56% |
| Inflation ⁷ | 4.37% |

portfolio when prices go back up (as they have historically done so).²

- Smart investing means taking on some investment risk; make sure your asset allocation is consistently in line with your goals, risk tolerance and time horizon.

¹ Diversification does not ensure against loss.

² Systematic investing does not assure a profit or protect against loss in declining markets.

³ Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value. An investment cannot be made directly in an index.

⁴ Stock returns are based on the S&P 500 Total Return Index, a market capitalization-weighted index of 500 widely held stocks. Stocks represent shares of ownership in corporations and their value will fluctuate with market conditions. Future returns may or may not be enough to overcome possible annual declines. Depending on the circumstances, there may be tax consequences associated with the sale or purchase of stocks.

⁵ Bond returns are based on the Lehman Brothers U.S. Aggregate Bond Total Return Index, which covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. Bondholders are entitled to receive payments of the principal and any interest associated with the bond according to specific intervals for interest payments and bond maturity. Bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk.

⁶ Cash returns are based on the U.S. Treasury T-Bill Auction Average 3-month return. U.S. Treasury securities such as bills, notes and bonds offer a high degree of safety, and they guarantee the timely payment of principal and interest if held to maturity.

⁷ Inflation rate is based on the Consumer Price Index (CPI).

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