Surviving Market Turbulence:

Fasten Your Seat Belts

The current economic downturn and the turbulent investment markets can make people nervous. That's understandable. But recognize these events as a normal, although undesirable, part of the economic and investment cycles.

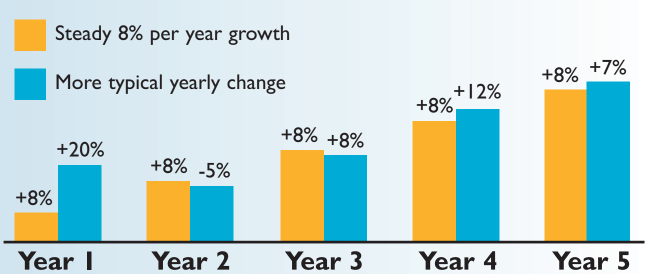
With that in mind, here are some tips for the typical investor in a turbulent time.

Don't panic. First, the worst thing to do is to over-react to anything occurring in the investment world. Some people may be tempted to bail out of their stock investments if markets are having a particularly rough ride. But that's EXACTLY what you should NOT be doing. Selling after the stock market tumbles is probably the worst thing to do.

Stay invested. If you're investing for a long-term goal—such as a retirement that begins in another decade or more and could last two or three decades—you'll have plenty of time to ride out market cycles. Understand that a hypothetical projection of a steady 8% annual return, for example, doesn't really reflect the typical stock and bond market ups and downs. But you can average 8% a year in earnings as stock performance rises above and falls below that mark in any particular year.

Two 8% Solutions

An initial investment of $10,000 compounding at a steady 8% a year would equal $14,693 after five years. In the second scenario, showing more typical ups and downs in the market, the total after five years would be $14,755.



If the stock market posted gains and losses in every other year, imagine what you'd lose out on by selling after a dip. And where would you put your money? In a money market account, it might earn a steady 3%. That wouldn't even keep up with the average long-term inflation rate of 3.1%. The easiest, safest and wisest thing for most long-term investors is simply to stay invested.

Keep a long-term perspective. It's easiest to stay the course if you really do focus on your major life goals and not on the market's day-to-day or month-to-month movements. It's good to check on what is happening in the markets and to understand why certain things are occurring, but don't review your investment portfolio too often. Look at your quarterly account statements, stay on top of the major current events in the financial and business worlds, and plan to do a thorough review of your investments—asset allocation, investment performance and progress towards your goals—once a year.

Dollar cost average. One of the simplest and most effective approaches to investing is dollar cost averaging. You simply commit to investing the same dollar amount on a regular basis. When the price of shares in a stock or mutual fund rises, you'll buy fewer shares, and when the price dips, you'll buy more. This maintains your discipline as an investor and provides an opportunity to lower your average cost per share.

Maintain a diversified portfolio. Diversification lowers your risk because not all parts of the market move in the same direction at the same time. Losses in one area are sometimes balanced out by gains elsewhere.

Know your risk tolerance. Ultimately, you need to do what is right for you. If you find stock investments to be too risky for your taste—for example, if you can't sleep at night because you're worrying about your stocks—then, maybe you should consider a safer, steadier ride.

Make thoughtful moves. If you make changes to your investments, do so in a thoughtful way, and after careful consideration. Talking with a financial advisor could be a good first move.