Your *Personal Recovery* Plan

Dealing with stock market turmoil

What Do I Do Now?

Global investment markets had one of their worst years ever in 2008. The S&P 500 Index fell 38.5%. Overseas stocks did even worse. The Dow Jones World Index dropped by 46%.[1] And 2009 began with a continuation of this severe bear market. The S&P 500 and the Dow Jones Industrial Average both were down by about 20% from January 1 through March 11. Investors are understandably very anxious. The following questions and answers address some common concerns of retirement plan participants.

Q. ***Should I stop contributing to my retirement account?***

A. No. As difficult as it is to watch the value of your account decline month after month, you still need to save for your future. In fact, you may have to save even more to make up for a difficult period in which the value of your retirement account has fallen substantially. Don't think in terms of suspending or decreasing your savings. Instead, figure out how to increase your retirement savings or at least maintain them. Instead of asking, "Should I stop contributing?" Ask, "How much more can I contribute?"

Q. ***Should I sell all my mutual funds and put all my money in a bank account?***

A. Making radical moves is risky. Before you do anything, first review your investments and your overall asset mix. Keep in mind how long you'll have until you begin making account withdrawals in retirement. Stock mutual funds are more volatile than other more stable or conservative investments, especially for the short term, but investors are compensated for that risk through higher potential returns. A broadly diversified approach, with a mix of stocks, bonds and stable value investments, made sense before the bear market began and it makes sense now. It limits risk while tapping into potential long-term gains. Bank accounts are suitable for short-term needs, but they won't generate high enough returns to keep up with inflation or provide sufficient long-term growth.

Q. ***Doesn't it make sense to get out of the stock market and return once it starts to recover?***

A. Whenever the stock and bond markets begin to recover, they could easily outperform the limited interest that a bank account, certificate of deposit or money market account would earn. Unfortunately, it's impossible to identify the best time to get in or out of the stock market. In hindsight, the best time to sell would have been October 2007. By selling now and waiting until the market begins to rebound before buying again, you could easily miss some of the rebound, whenever that occurs.

Here are five actions to take:

1) Review your account balance, asset mix and fund performance.
2) Rebalance or reallocate your investments into a more suitable mix if appropriate.
3) Use an online retirement savings calculator to project how much you'll need.
4) Save more to make up any gap.
5) Reconsider plans for when you'll retire. Working a few more years could give you more time to save and fewer retirement years to fund.