The impact of staying invested during market turmoil

The decision to stay with your plan is often better than timing when to sell and buy. Markets will continue to be volatile so decide what your time line is for your portfolio and what risk you are willing to undertake.

The financial downturn of 2008 and the upswing of 2009 undoubtedly challenged your convictions, investment beliefs and perhaps your financial plan itself. Staying the course during the downturn and volatility since then has been difficult for many investors. Some investors chose to move to cash investments in hopes of avoiding future losses. Some tried to time the markets. But trying to time the market requires two decisions—not just one. The first is when to sell, and often more importantly, when to get back in. The psychology around deciding to get back into the market can be more difficult than getting out. Hindsight is always 20/20, and just because someone wants to time the market does not mean that they can. So, how did staying the course do? We took a look at Russell Investments' research using hypothetical 60/40 portfolio faced with three alternatives as of Sept. 30, 2008 (two weeks after the collapse of Lehman Brothers and a defining moment in the recent financial crisis). The starting point for the $100,000 hypothetical portfolio is Oct. 9, 2007, the prior market peak.

The choices as of Sept. 30, 2008 are:

Option #1: Stay invested, making no changes to the 60/40 index strategy all the way to the present. As of Sept. 30, 2014, this index portfolio is valued at $135,340.

Option #2: React to the downturn and pull out of 60/40 portfolio, going to 100% cash, represented by the Barclays 1–3 Month US. Treasury Bill index, on Sept. 30, 2008, and remain in cash to Sept. 30, 2014. This portfolio is valued at $86,326.

Option #3: React to the downturn and pull out of 60/40 portfolio, going to 100% treasuries, represented by the Barclays Treasury Index, on Sept. 30, 2008, and remain in treasuries to Sept. 30, 2014. This portfolio is valued at $106,511.

The conclusion from the Russell Investments' research shows, when sticking with a 60/40 index strategy, the portfolio recovered a greater percentage of its lost value, and at a faster rate than when it went to 100% cash or 100% treasuries.

So when the markets are moving higher like they currently are, you have to be honest about your risk tolerance, not waiver and not react, because the real test is always when the market is falling and your ability to stay the course.

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Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns. No investment strategy can guarantee a profit or protect against a loss.

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The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell Global ex-U.S. Index measures the performance of the world's largest investable securities, based on market capitalization, excluding securities in the Russell 3000.

Barclays U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment-grade corporate debt securities, and mortgage-backed securities.

Barclays 1–3 Month U.S. Treasury Bill index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

Barclays Treasury Index is an index composed of all U.S. Treasury publicly issued obligations. Includes only notes and bonds with a minimum outstanding principal amount of $50 million and a minimum maturity of one year.

Indexes are unmanaged and cannot be invested in directly. Data is historical and is not indicative of future results.

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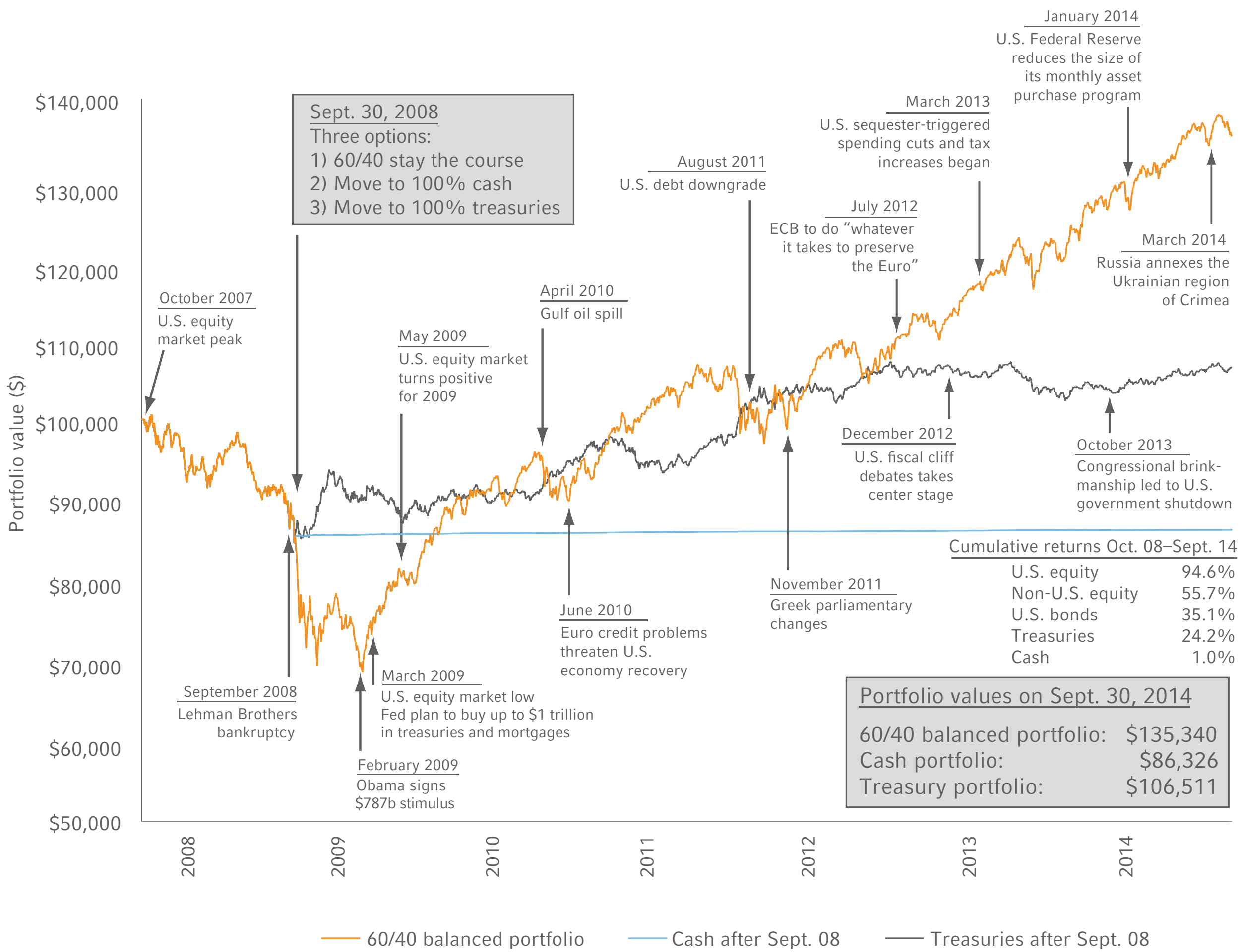

60/40: 40% Russell 3000 Index (U.S. equity), 20% Russell Global xU.S. Equity Index (non-U.S. equity), 40% Barclays Aggregate Index (U.S. bonds); Cash: Barclays 1-3 Month T-bill (cash); Treasuries: Barclays Treasury Index

This hypothetical example is for illustration only and is not intended to reflect the return of any actual investment. The 60/40 Balanced Index portfolio does not reflect a deduction for expenses or fees, had it done so, returns would have been lower.

Index returns represent past performance and are not a guarantee of future performance.