

Rough seas may lead to calmer waters

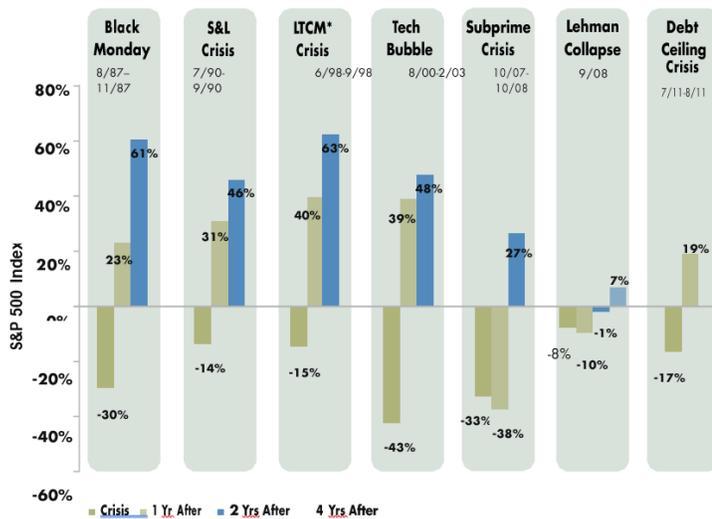
Injuries are usually just temporary setbacks

As many investors have discovered, “anything worth having is worth the wait.”

To achieve success in a marathon, it’s critical that you plan ahead, slowly work toward getting yourself in shape and maintain a regular training schedule. And if you get injured, it’s just as important to slow down and give your injury time to heal before returning to your daily workouts. In an effort to meet your goal, you should never give up.

The same behavior holds true when investing in your financial future – just look at the historical performance of the markets. On Black Monday (October 1987), the Dow Jones Industrial Average plunged 22.6% in a single day and many were ready to sell what was left in their portfolio. Considering that stocks shot up nearly 700% over the next 12 years, staying in the market was probably the better choice.¹

The stock market has delivered over the long-term



Source: SEI, FactSet.

*LTCM stands for Long Term Capital Management.

Volatility aside, many patient, long-term investors have done well over time, but they’ve often had to endure wide swings in performance.

¹Based on the performance of the S&P 500 Index, including reinvested dividends and capital gains.

Questions are up when it seems the chips are down

Q: Have my savings goals changed?

What were the objectives that drove you to start a long-term investment plan? The markets may be volatile, but if your goals haven’t changed, perhaps you should continue with your routine and not get distracted.

Q: Is my investment time horizon different?

Many important goals have relatively firm dates (your kids start college when they’re 18 or you plan to retire at 62). Since market volatility has an unpredictable impact on your portfolio, ensuring that your financial plan is still based on the timing of your future needs, is important to consider.

Q: Do I need to reassess my risk tolerance?

Hearing about risk and market declines are one thing – watching the value of your portfolio erode is quite different. If you’re finding it difficult to tolerate market fluctuations, now might be the time to re-examine your risk tolerance. As experienced financial advisors, we have the knowledge and resources to help put volatility into perspective.

While recent years have been disconcerting, the market has recovered after similar periods of stress. After September 11, and after market collapses caused by the S&L crisis and the bursting of the tech bubble, the market rebounded to levels higher than they were before the crisis. That’s why it’s important to remember to take a longer-term view when pursuing your financial goals.²

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²Past performance is not a guarantee of future events.

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