Strategies to help cope with market volatility

Let logic, not emotions, drive your investment decisions

Periodic stock market declines are a common occurrence. In fact, history shows that the S&P 500 Index* has experienced a selloff in three out of every 10 years.

To help minimize the impact of these declines on your overall portfolio, you need to strike the right balance between risk and reward. If you swing for the fences and put all of your money into a single asset class such as stocks, you may enjoy big gains when stock prices are on the rise. But when stocks hit a rough patch, you could suffer big losses.

On the other hand, if you are extremely risk averse, you might be tempted to put all of your investments into a low-yielding money market fund. With this strategy, there is a good chance your investments will not grow fast enough to keep pace with or potentially outpace inflation.

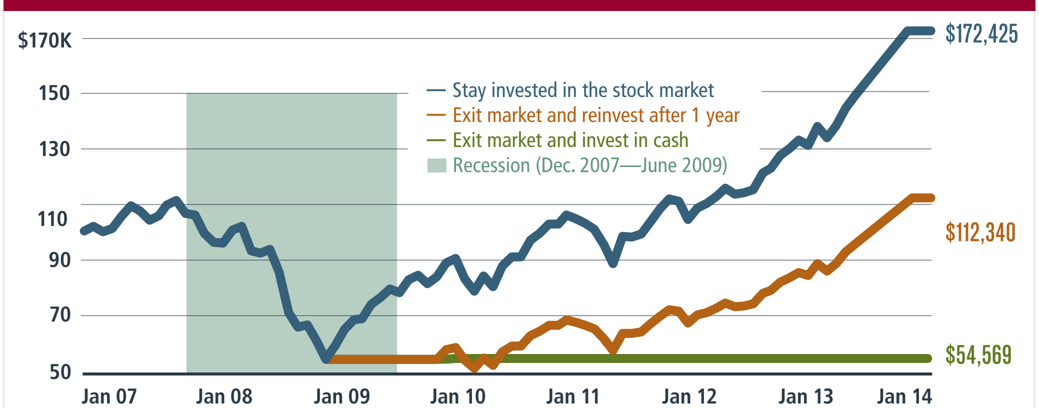
How can you achieve your long-term financial goals without taking on too much risk or being too conservative? The answer, in a word, may be diversification. Investing in a mix of different types of stocks, bonds and cash investments may help reduce your portfolio's overall volatility. Implementing solid investment principles with the help of a financial professional can also help reduce the temptation to make drastic changes to your portfolio during times of market turmoil.

Developing a strategy to help grow and help protect your investments

Over the long term, staying invested in the market may provide the growth opportunities you need to pursue your long-term financial goals. Of course, developing the right mix of investments for your particular situation can be a challenge. That's why it's important to work with a financial professional who can provide valuable advice.

The importance of staying invested

Ending wealth values after a market decline



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. The market is represented by the Standard & Poor's 500. An investment cannot be made directly in an index.

(See disclosure on back)

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The image illustrates the value of a $100,000 investment in the stock market during the period 2007–2014, which included the global financial crisis and the recovery that followed. The value of the investment dropped to $54,381 by February 2009 (the trough date), following a severe market decline. If an investor remained invested in the stock market over the next 70 months, however, the ending value of the investment would be $172,425. If the same investor exited the market at the bottom to invest in cash for a year and then reinvest in the market, the ending value of the investment would be $112,340. An all-cash investment at the bottom of the market would have yielded only $54,569. The continuous stock-market investment recovered its initial value over the next three years, and provided a higher ending value than the other two strategies. While all recoveries may not yield the same results, investors are well advised to stick with a long-term approach to investing.

About the data

Recession data is from the National Bureau of Economic Research (NBER). The market is represented by the Ibbotson® Large Company Stock Index. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

* The S&P 500 Index is representative of domestic markets and includes the average performance of 500 widely held common stocks. Individuals may not invest directly into an index and unlike investments, the S&P 500 Index does not incur management fees, charges or expenses. Past performance is no guarantee of future results.

Source: Morningstar, The Importance of Staying Invested (https://content.usaa.com/mcontent/static_assets/Media/MS_Article_The_Importance_of_Staying_Invested.pdf?cacheid=2826343583_p)

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CRN-1415231-020816

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