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Managing market ups and downs

Understanding market volatility

It's natural to feel anxious during market swings, and you may be tempted to react emotionally. So, what can you do to manage market volatility? These steps may help you stay on track during market ups and downs.

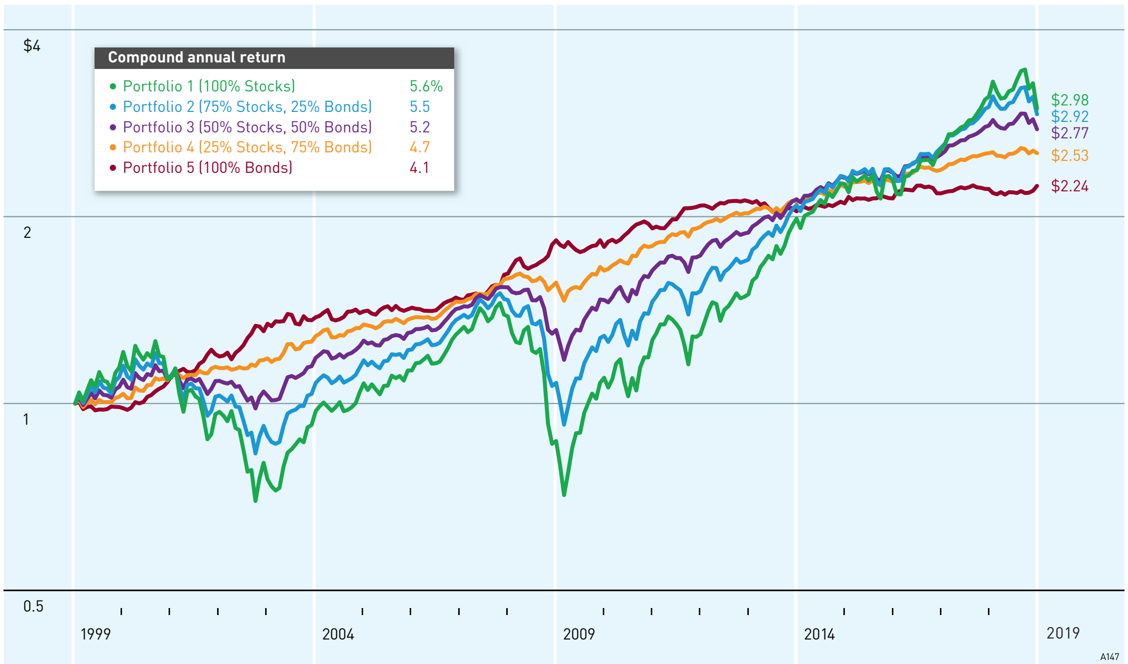
1 Consider the big picture

Investing would be less stressful if the stock market rose in a steady climb. But, as the chart shows, downturns are a normal part of the market cycle. Historically, every downturn has been followed by a recovery.

Despite their volatility, stocks may offer the potential for significant long-term gains to help you meet your retirement savings goals.

20-year portfolio performance

1999 - 2018



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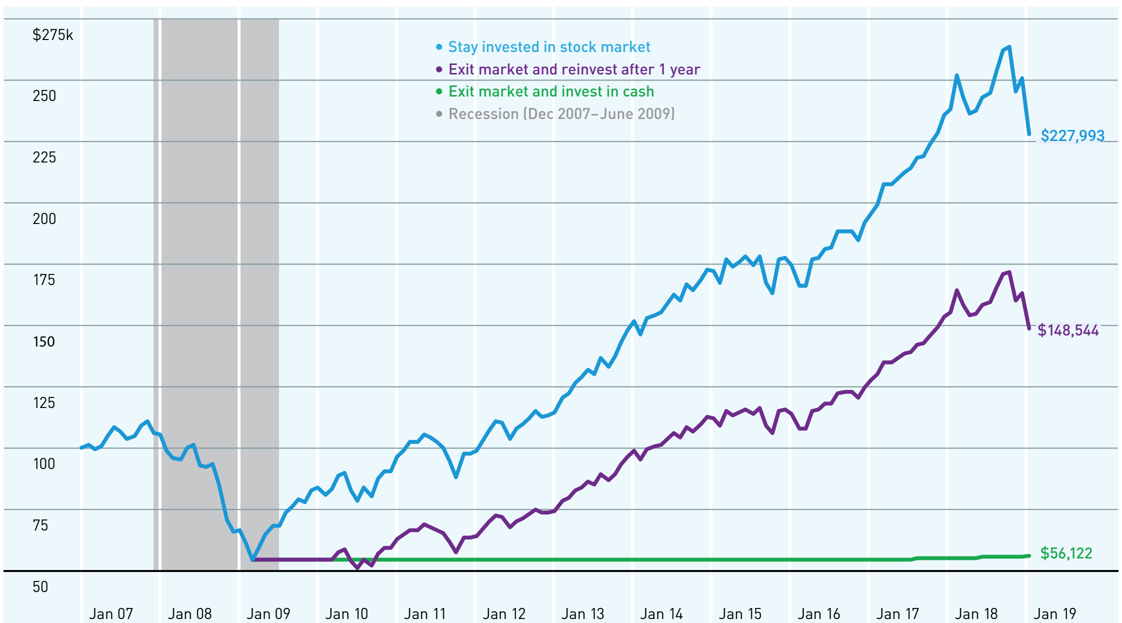
2 Stay the course

Market timing concerns

Stock markets can go through periods of relative calm followed by unpredictable ups and downs. It's tempting to give in to emotion and try to time your investment decisions to these cycles. But this may cause you to miss out on upswings. Keeping your long-term goals in mind may help you to continue investing through market fluctuations.

This chart demonstrates how staying the course over a period of intense market fluctuation can pay off. As you can see, a saver who stays invested may end up with a considerably higher balance after ten years than a saver who pulls out his or her money and reinvests one year later, and approximately four times more than a saver who converts assets to cash.

The importance of staying invested



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Benefits of consistent investing

By regularly saving in your employer-sponsored retirement plan, you're practicing dollar cost averaging.[1] Dollar cost averaging helps you navigate market ups and downs by slowly and steadily easing into the markets over time. Consistent investing allows you to buy more shares when prices are low and fewer when they're high — generally resulting in a lower average cost per share. It also takes some of the emotion out of investing, because you don't have to make decisions about when to buy and sell.

[1] Dollar cost averaging does not assure a profit and does not protect against loss in a declining market.

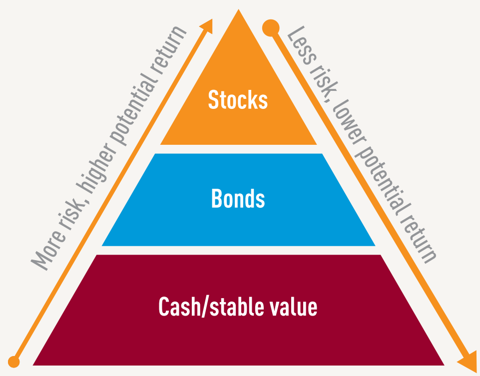
3 Diversify your portfolio

You can't control the market. So how can you invest to minimize the impact of its ups and downs on your savings?

Asset allocation is the way assets in your portfolio are divided among stocks, bonds, and cash/stable value investments. Different asset classes (stocks, bonds, and cash/stable value) often perform differently. Diversifying—or spreading money across a variety of investments—can help you manage risk. If stock prices go down, losses may be offset by gains in bonds, or vice versa.[2]

It's a good idea to review your asset allocation at least once a year. Gains or losses can throw off your desired investment mix and cause your portfolio to be more or less conservative or aggressive than you intend. Rebalancing can get your asset allocation back to your desired mix.

The risk and return characteristics of different asset classes



Stocks are shares of ownership in a company. Stocks typically carry greater risks than bonds or cash/stable value options, but historically have offered the greatest potential for long-term growth.

Bonds are debt securities that pay the holder the original amount invested plus interest on a specific future date. Bonds typically offer more moderate risk but lower returns than stocks.

Cash/stable value options are similar to bonds but hold money for much shorter periods. They offer low investment risk and potentially low returns.

This chart illustrates the relative risk and potential return of the major asset classes. You'll notice that the level of risk is lowest at the bottom and highest at the top. But along with the higher risk is a higher potential return.

Target-date funds: All-in-one investments

Target-date funds contain a mix of investment options that reflect appropriate risk based on your anticipated retirement date. They maintain their diversification by automatically rebalancing over time and are designed so you can invest in just one fund instead of several.

The target date is the approximate date when investors plan to retire or start withdrawing their money. Some target-date funds make no changes in asset allocation after the target date is reached; other target-date funds continue to make asset allocation changes following the target date. (See the prospectus for the fund's allocation strategy.) The principal value is not guaranteed at any time, including at the target date. An asset allocation strategy doesn't guarantee performance or protect against investment losses. A "fund of funds" has an additional level of expenses.

[2] Neither asset allocation nor diversification can ensure a profit or protect against loss. Significant differences in risk exist among investment asset classes. Past performance is no guarantee of future results.

4 Keep a long-term perspective

Market cycles are part of investing, but it's normal to worry when the stock market takes a dip. Historically, the long-term trend of the market has been up. It may be easier to manage volatility in a portfolio that's diversified with stocks and bonds. Review your investment options and decide what asset mix best fits your goals and your risk tolerance.

Remember to stay the course, diversify your portfolio, and keep a long-term perspective. Understanding market volatility can help you keep your retirement savings on track and be better prepared to manage inevitable market fluctuations.

To learn more about managing market volatility, contact your retirement plan representative, Rachael Schneider:
Phone: 360-580-9741 Email: Rachael.Schneider@lfg.com

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