



# How to Survive in a Volatile Market



**T**he recent market turmoil may have us all running for cover. But before you give up on your 401(k) investments, remember that knee-jerk reactions rarely produce positive results. Staying true to your long-term strategy – in good times and in bad – will help to weather the storm and ultimately reach your savings goals.

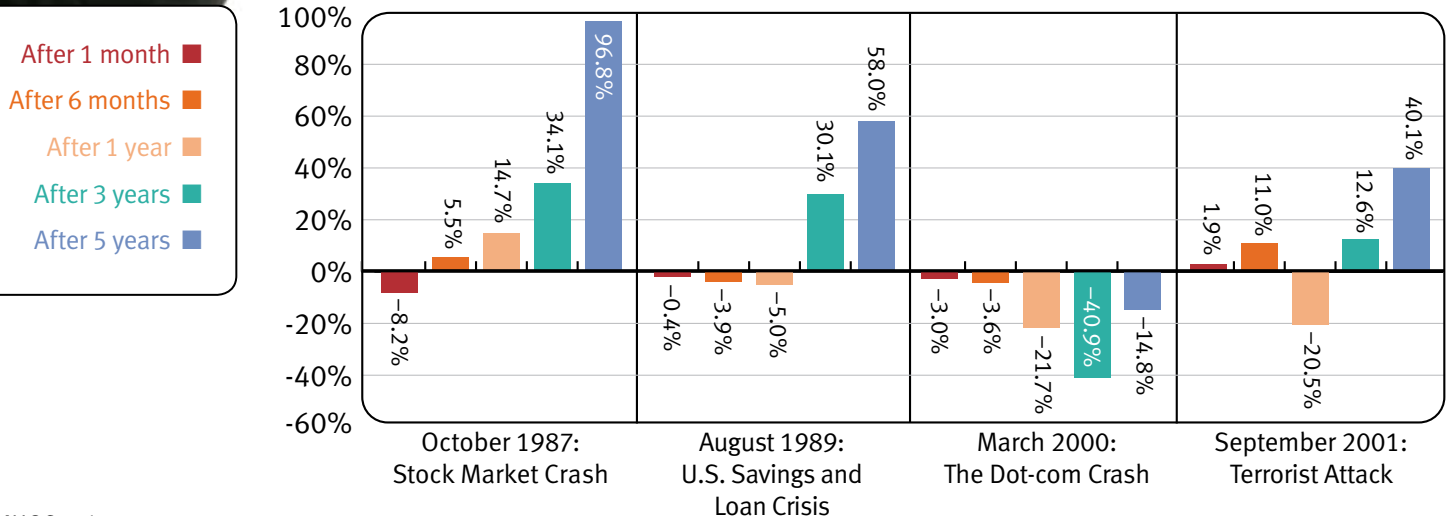
## Stay the Course

So the stock funds in your 401(k) account most likely have taken a downward turn. It's natural to feel uneasy. But trading them all in for the security of conservative investments won't get the long-term growth needed to build an adequate retirement nest egg. **In fact, selling your stock funds now – after they've lost value – will only solidify your losses.**

Time and time again, the U.S. stock market has rebounded from a major financial crisis. And experts agree it will again. So even if you feel uneasy about investing in stocks, remember that you'll need the long-term growth potential they can provide. **Plus, when the markets do begin to rebound, stocks most likely will lead.** If you aren't there for the initial stages, you may miss out on some big returns.

Source: "Surviving a 401(k) Freak Out," [cnmmoney.com](http://cnmmoney.com), 2008

## U.S. Financial Crises and Market Recoveries



Source: Morningstar, Inc., 2008

# FIX Your MIX

Any actions you take during volatile market conditions (or at any time, for that matter) should be **based on logic – not fear**. So the best decision you can make right now is to stick to your long-term investment strategy.

If you **must** do something, then take this time to re-examine your strategy as well as the mix of stocks and bonds you have in your investment portfolio.

If your most recent statement is hitting the pit of your stomach, or if you're thinking that you'll never be able to make up your current losses, chances are you have too much exposure to stock funds. Maybe you have 90 percent of your money invested in stocks when you'd really be more comfortable with 70 percent. Now is the perfect time to truly assess your risk tolerance and adjust your mix of stocks and bonds accordingly.

If you determine that it's time to readjust your mix, **you may want to only change how your future contributions are allocated**. That way, you're not locking in a loss by selling existing funds.

A relatively conservative asset allocation mix is 40 percent stocks, 40 percent bonds and 20 percent stable value funds (or cash equivalents). An aggressive mix is 80 percent stocks, 10 percent bonds and 10 percent stable value funds. And while the level of risk you're willing to take is personal and unique to you, **a general rule of thumb is the younger you are, the more aggressive your portfolio should be**. That's because you'll have plenty of time to recoup any stock market losses.

To assess your risk tolerance, visit your 401(k) participant Web site to take the Risk Tolerance Questionnaire (under Planning Tools).

Source: "Survive the Bear Market," *cnnmoney.com*, 2008



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### What is my tolerance for risk?

Portfolio Selection Worksheet

This Portfolio Selection Worksheet will help you determine what type of investor you are. Answer the following 10 questions and click the "View Results" button. Then convert your score into one of five investment strategies listed under the results.

How many more years do you plan to work before you start using your 401(k) savings?

30 to 40 years  
 20 to 30 years  
 10 to 20 years  
 5 to 10 years  
 Less than 5 years

How long do you expect to draw upon your 401(k) savings?

25 to 30 years  
 20 to 25 years  
 15 to 20 years

The stock market is designed to transfer money from the active to the patient.

– Warren Buffett

## Not sure what to do?

First check with your plan administrator or benefits department. They can guide you to the resources you'll need to make informed investment decisions.



## Continue to Invest *Regularly*

Investing regularly can help take the emotion out of important investment decisions. Your employer's retirement plan makes it easy through automatic deductions from your paycheck. **By investing the same amount from each pay period, you don't have to guess which way the market is going.** You won't be tempted to wait for the "perfect" time to buy nor will you risk the possibility of investing all your money at the top of the market. Although this strategy doesn't guarantee a profit or protect against loss, it's one way to take advantage of a down market. **By continuing to invest when the markets fall, you'll buy more shares at a lower price – and who doesn't prefer to buy things on sale?**

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