



# DECISION TIME: *Cut and Run or Stay the Course*

**IN UNCERTAIN OR TROUBLING FINANCIAL TIMES, IT'S NATURAL FOR ANXIETY TO SET IN AND TAKE OVER YOUR OTHERWISE PRACTICAL DECISION-MAKING PROCESS.**

Faced with a drop in your 401(k) account balance, your gut may be telling you that it's time to cut your losses and move what's left of your money to a "safe" place. You're not alone. The current economic crisis has most investors second-guessing their investment strategies and wondering what to do next. But dwelling too much on losses can lead to some iffy decisions. **And now – especially now – is not the time to let market performance affect your long-term strategy.**

## **SAVING FOR RETIREMENT IS A LONG-TERM COMMITMENT**

As with most things in life, there's no shortcut to building a sufficient nest egg. It takes years, often decades, to save enough money to live comfortably in retirement. During that time there will be ups and downs in the market.

When the market takes a dramatic downturn, **a common mistake many investors make is to overcorrect by shifting all their investments into more conservative vehicles** such as guaranteed funds, CDs or money market accounts. While these may be sound investment choices for a portion of your savings, they rarely are ideal for the bulk of it. **A conservative-only investment strategy can limit your portfolio's growth potential** and ultimately the amount of money you have for retirement.

Other investors become so intent on making up the money they lost that they go to the other extreme, investing too aggressively in the hopes of seeing big gains in a short amount of time. This approach involves taking on quite a bit more risk. **If the market slides again, the losses these investors suffer could be even greater than before, putting them in an even worse position** in terms of the amount of money they will have to live on during their retirement years.

**Believe it or not, the best approach may be to stay the course.** Fine-tune your portfolio so it fits with your financial objectives to give you the right balance of growth and stability over the long term. In short: make sure you diversify.



# The benefits of a well-diversified portfolio

**The best way to weather a turbulent market is through diversification.**

By spreading your money over several different types of investments, no single investment makes up too great a part of your overall portfolio. When one type of investment declines in value, the impact on your portfolio may be limited, potentially lessening your losses.

Diversification can take many forms. You can diversify by investing in **multiple asset classes** such as stocks and bonds.

You can also diversify by investing in **different types of funds within a given asset class**, examples of which are growth stocks and value stocks, or U.S. stocks and international stocks.



## Remember, history repeats itself

With all of today's around-the-clock sensational media coverage, it's easy to lose sight of the fact that history tends to repeat itself, including the stock market. **The market has suffered – and rebounded from – several major declines throughout its 100+ year history.** And the experts agree that it will rebound again.

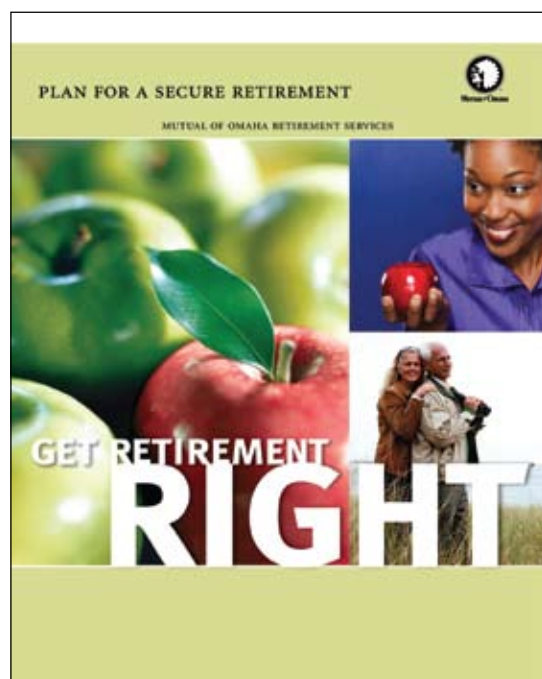
For example, in 1987 the Standard & Poor's 500 Index dropped 31.5 percent over the course of two weeks. Then it rebounded. Thirteen years later, the Index dropped 47.4 percent (from September 1, 2000 to October 9, 2002). Then it rebounded.<sup>1</sup>

**The lesson is to not overreact.** Basing serious financial decisions on emotions rarely ends well. Keep market fluctuations in perspective – **they're a common occurrence and the market has always rebounded in the past.** In fact, the stock market often recovers well before the rest of the economy catches up. It just takes time.

<sup>1</sup>Source: russell.com, "Hard Times: Q&A on perspectives and possibilities" by Ernie Ankrin, Ph.D., 2008

## Plant, Grow and Harvest a Bountiful Retirement

What do an apple tree and a retirement plan have in common? Both start with a seed. **In the case of a retirement plan, the seed is planted when you enroll and begin making contributions.** Over time, both need to be nurtured. An apple tree benefits from sun and rain, while a retirement plan requires continual contributions and ongoing monitoring. When both have reached fruition, their bounty can be enjoyed. Apples are harvested by the bushel, and likewise, **a retirement plan can reward its owner with a bountiful retirement income.**



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