# Making smart decisions in uncertain times

Markets are cyclical. Being mentally prepared for the inevitable, and at times dramatic, downturns that follow long expansions can help prevent you from making emotional decisions that are hazardous to your wealth.

It can be difficult to ignore the headlines and suppress the anxiety associated with market distress and declining account balances. But following the disciplined steps outlined below can help you eliminate emotion from investment decisions and move yourself from a temporary place of worry to a permanent state of calm.

## Stay the course

Choose an appropriate asset mix you can stay with in good times and bad, and don't let short-term pull backs veer you off-course. Tune out the noise, remain patient, and let markets work for you.

## Don't try to time the market

When stocks fall it can be tempting to move to cash or bonds. However, the market doesn't sound an 'all-clear' signal when it's safe to get back in. In fact, its best days and worst days often cluster around each other, and if you're on the sidelines when the recovery begins it can be difficult to catch up.

## Maintain diversification

Concentrating in a single stock or in one area of the market (e.g. U.S. large growth companies) exposes you to unnecessary risks. By structuring a portfolio to hold multiple asset classes that represent different market areas across the world you are well-positioned to seek returns wherever they occur.

## Rebalance your portfolio

Over time, the value of your asset mix can change as some investments grow more than others. Rebalancing when your asset mix shifts more than 5% from its target[i] can help buffer against wide swings in the market and preserve the value of your portfolio in periods of volatility, and better position your portfolio for gains when stocks recover.

## Keep contributing/reduce distributions

When markets drop sharply, think of stocks being temporarily 'on sale.' This can be a great time to buy as their expected return is now higher. Retirement plans are excellent vehicles for taking advantage of these opportunities—don't stop contributing! Your payroll deferrals are buying more shares when prices are low and fewer when prices are high.

Alternatively, if you are in decumulation mode, withdrawals from your account can be particularly damaging when markets have declined significantly. You can extend the life of your portfolio by reducing distributions during a downturn.

## Focus on what you can control

To help ensure a better investment experience, focus on things you can control. Starting with an investment plan tailored to your specific needs and goals, be mindful of investment costs and personal expenses, hone your job skills, maintain a globally-diversified portfolio, mitigate taxes and turnover, maximize your contributions and stay disciplined when the market dips and dives.

[i] For example, an investor may choose a target asset mix of 60% stocks and 40% bonds (60/40) for their portfolio. After a weak period for stocks, the portfolio asset mix may shift to 52/48, causing the account to be "overweight" bonds. If we place 'tolerance bands,' or 'thresholds,' of +/- 5% around the target asset mix this would signal a time to reduce bonds, increase stocks, and rebalance everything back to the original 60/40 allocation.

All investing is subject to risk, including possible loss of the money you invest.

Diversification does not ensure a profit or protect against a loss.

Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

Investments in bonds are subject to interest rate, credit, and inflation risk.