



Retirement on the **Brain**

Market Volatility Survival Strategies





Insight Into Market Volatility

It can be exhausting to watch the financial markets as they skyrocket one day, plummet the next, rise again, level off and... Since 2008, investors have witnessed a significant amount of market volatility due to the global economic slowdown and the foreclosure crisis.

But market trends can be caused by less significant elements. Upward movement in the market may be nothing more than investors enthusiastically pursuing opportunities in a particular industry or niche. This pursuit can cause stock prices to over-inflate for a short time before being corrected as prices return to their actual value.

On the flip side, downward trends can be triggered by news stories, weak corporate earnings reports and world events. Investors get spooked, overreact and contribute to the downward cycle.

Although most investors know that volatility is a natural part of the economic and investment cycle, they still consider it to be the number one risk to retirement security.¹ This guide contains five strategies to help you understand and cope with market volatility as you save for retirement.

¹ The Contributor, Fall 2013, National Association of Government Defined Contribution Administrators, Inc., www.nagdca.org/content.cfm/id/contributor42013better_participant_outcomes (accessed Feb. 26, 2014)

5 Strategies To Help You Cope With Market Volatility

It's easy to ignore the ups and downs of the market – until they affect you. Just remember that there is still no better way than your employer-sponsored plan to improve your retirement readiness, the measure of your ability to replace enough pre-retirement income to maintain your current lifestyle after you stop working.

Here are five strategies to help you weather the inevitable storms of market volatility.

1. Have A Plan – And Stick With It

Planning is essential to success, a fact that has been trumpeted by everyone from Margaret Thatcher and Pablo Picasso to Dr. Phil. An effective plan for your retirement portfolio must factor in your major life goals, tolerance for risk and time horizon until retirement.

To find out your tolerance for risk, visit www.standard.com/retirement/education and take the Investor Profile quiz.

The quiz also considers your time horizon until retirement. Your choice of investment options should be based on when you'll actually need to use your money. If you'll need it within the next five years, you may want to select more conservative options that carry a relatively low level of risk.

If you have five to 15 years until you need to access your savings and feel confident you can stick with your investment strategy regardless of what the markets are doing, you may want to consider investments with more growth potential. Investors with more than 15 years until retirement can potentially take on more risk.

Once you have an investment plan you can live with, stick with it instead of chasing returns. The markets will always be subject to volatility; the same characteristics that allow dramatic growth also result in surprising declines. When market volatility happens and your emotions urge you to make changes to the investments in your retirement account, refer to this plan to help you stay on course.

“Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success.”

-Pablo Picasso



2. Diversify Your Investments

Diversification spreads your money among different types of investments that do not react in the same way to world and market events. Bonds,² for instance, may rise in value when stocks are performing poorly.

While diversification does not guarantee a profit or protect against a loss in a declining market, it can help reduce your exposure to risk. Selecting only low-risk investments – for example, cash equivalents – will not always protect you, especially during times of high inflation. Cash equivalents are prone to devaluation both at home for everyday goods and services, and abroad in comparison to global currencies like the euro, pound or yen.

A well-diversified portfolio may include stocks, bonds and cash equivalents as well as alternative investment types such as real estate investment trusts, commodities and international or emerging market stocks.³ The latter investments – descriptions of which follow – may be considered higher risk than the former, but can actually reduce risk during times of economic uncertainty.

Inflation-Linked Bonds are debt securities issued by the U.S. Treasury to help keep pace with inflation, the general and progressive increase in prices over time. They gain value as inflation increases and their purchasing power – the amount of goods or services they can buy – remains steady.

Asset Allocation Ranges for Diversified Portfolios

	Less than 5 years until retirement		5 to 15 years until retirement		More than 15 years until retirement	
	Cash equivalents and bonds	Stocks	Cash equivalents and bonds	Stocks	Cash equivalents and bonds	Stocks
Conservative	75-80%	20-25%	60-80%	20-40%	40-60%	40-60%
Moderately conservative	75-80%	20-25%	40-60%	40-60%	30-40%	60-70%
Moderate	60-80%	20-40%	30-40%	60-70%	15-20%	80-85%
Moderately aggressive	40-60%	40-60%	20-30%	70-80%	0%	100%
Aggressive	20-40%	60-80%	0-15%	85-100%	0%	100%

The higher suggested stock percentages may be appropriate for investors on the long end of the time frame. The lower suggested percentages for stocks may be appropriate for investors on the short end of the time frame.

² Funds that invest in bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. As interest rates rise, the prices of bonds fall.

³ International investing involves certain risks, such as currency fluctuations, economic instability and political developments. These risks may be accentuated in emerging markets. Real estate investment funds are subject to risks, such as market forces, that may affect the values of their underlying real estate assets.

Real Estate Investment Trusts (REITs) trade like stock and allow individuals to invest in commercial properties such as office buildings, apartments, storage facilities, warehouses and industrial complexes. Returns are driven by the supply and demand of the property’s location, its change in property value and rental income.

Commodity Index Funds are based on commodities futures, which are contracts or agreements to buy or sell a commodity – physical substances such as food, grains, oil and metals – at a specific date in the future at a specific price. The returns of commodity index funds are driven by the supply and demand for the commodities, the premium over time for locking in the price for sellers of futures, and gains through rebalancing and interest.

Log in to your account on www.standard.com/retirement to see what types of investment options are available in your plan.

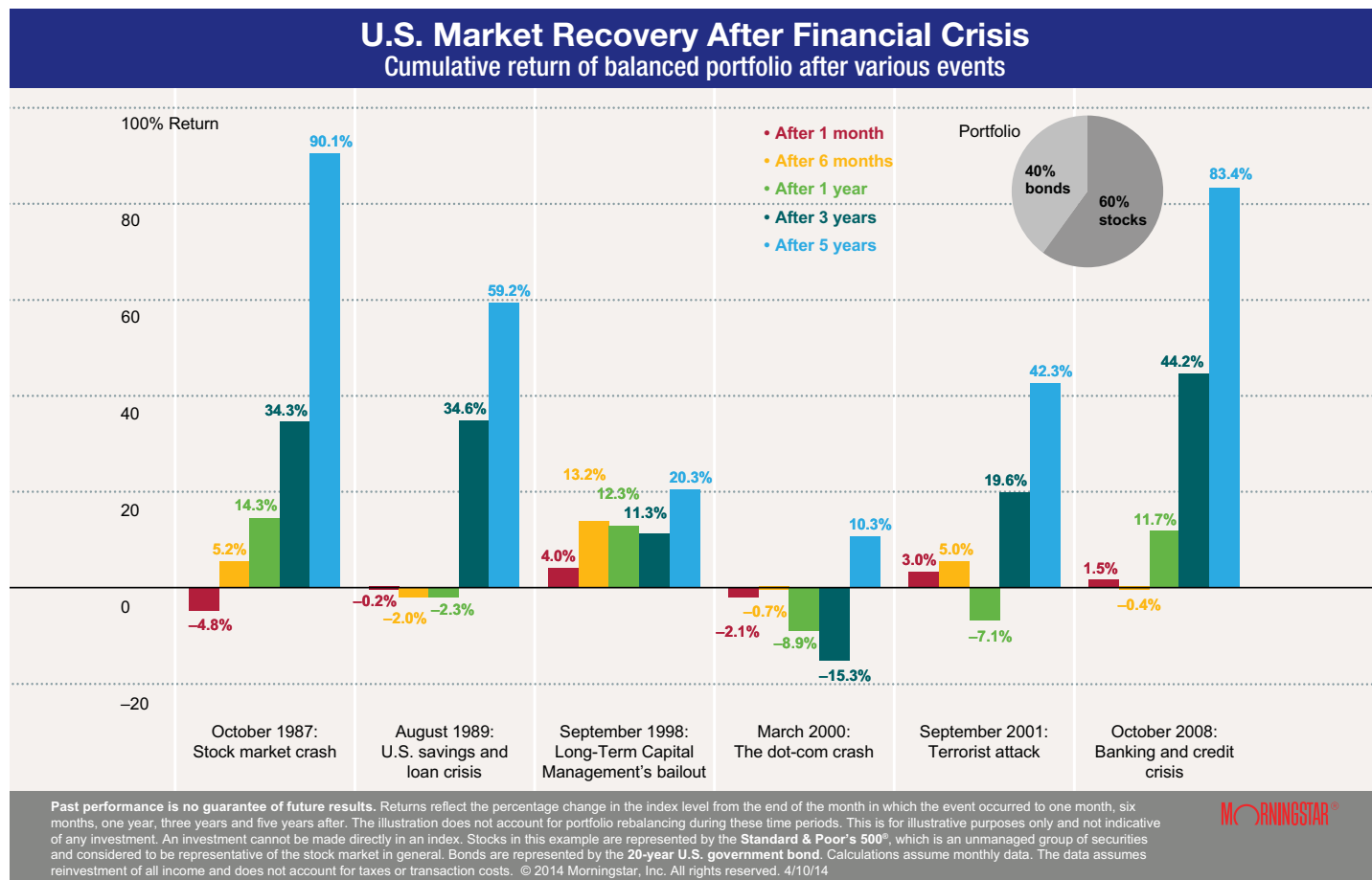
3. Remember Your History

When volatility rocks the financial markets, remember it’s not the first time. The stock markets routinely experience short- and longer-term price swings for a variety of reasons.

Even with this volatility, the stock market has experienced overall upward growth for more than 80 years, with average returns of approximately 10 percent a year.⁴

There have been six notorious stock market downturns since 1987. In October 1987, the Dow Jones Industrial Average, the most widely used indicator of the overall condition of the stock market, lost 508 points – or 23 percent – on what is now referred to as “Black Monday.”

The chart below provides an example of how a moderately conservative portfolio of 40 percent bonds and 60 percent stocks would have performed during the past six financial crises.



⁴ Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate and an investor’s interest, when redeemed, may be worth more or less than the original investment. Source: “Annual Returns on Stock, T.Bonds and T.Bills: 1928–Current,” NYU Stern School of Business, updated January 5, 2014, by Aswath Damodaran, pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html (accessed May 7, 2014)

4. Cultivate A Long-Term Perspective

When saving for retirement, financial advisors say the longer you're invested, the better off you're likely to be. Long-term investing gives more time for potential growth and may absorb the ups and downs of the markets.

You may benefit from broadening your investing perspective, particularly since the U.S. economy is recovering at a slower rate than previous recessions. For instance, the emerging markets of such countries as China, India and Brazil are driving economic growth, a trend that is expected to continue. The risks from investing in these markets may be outweighed by the potential for asset growth.

Taking the long-term view means maintaining or even increasing your savings during uncertain times. To have options when you're ready to retire, consider cutting back on some everyday spending now and putting more money into savings.

5. Keep Calm And Carry On

At the beginning of World War II, the British Ministry of Information produced a poster intended to strengthen morale in the event of attack. Its message, "Keep Calm and Carry On," resurfaced during the recent recession and appeared on everything from mugs to note cards. Its message is still relevant, especially when dealing with market volatility.

Rather than panic when stock prices drop, view the decrease in value as an opportunity. By making wise investment choices when prices are low, you may benefit from investment growth when prices go up in a recovering market.

If you transfer money from stock to bond investments or cash equivalents in a down market, you lock in your losses. Based on the history of the stock markets over the past 80-plus years, it's probable that your stock holdings can rebound and grow over time. Past performance, however, is no guarantee of future results.

Protect Your Long-Term Goals: 4 Actions To Avoid In Volatile Markets

1. Selling stock investments when the market goes down
2. Trying to time the market
3. Reducing or stopping retirement plan contributions
4. Keeping all or most assets in fixed-income investments such as cash equivalents and bonds, unless you are near or at retirement age

To ensure your portfolio stays true to your investment plan, make sure to rebalance it on a regular basis, whether that's quarterly, semiannually or once a year. Volatile markets can change your proportion of funds in different asset classes, such as bonds, large growth stocks or international stocks. Rebalancing moves your portfolio back to your desired investment mix.

It's also a good idea to review your investment plan each year. Be flexible and willing to change your investment strategy if the situation calls for it.

Check out www.standard.com/retirement/education for more information about market volatility and other investing topics.





Employers and plan participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and each available investment option in the group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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