7 Principles of Investing in a Volatile Market

In volatile markets, it's common to feel uneasy about your investments. This is only natural. But rest assured, market volatility is completely normal and is to be expected. In fact, whether you invest in a single-fund solution, manage your own investments, or choose to have them managed by a professional investment manager, the current market conditions may actually work to your advantage.

1. Clarify your investment strategy.
Living with market volatility is a lot easier when you have a firm investment strategy in place. To create your strategy, you'll need to understand several key factors, including:

- Your time horizon
- Your goals
- Your tolerance for risk

Your time horizon is determined by counting the number of years left until you plan to retire. Your primary goal is to accumulate enough savings to create the income you need in retirement. Your tolerance for risk reflects your broader financial situation—your savings, your income, your debt—and how you feel about it all. Looking at the whole picture will help clarify whether your strategy should be aggressive, conservative, or somewhere in between.

2. Match investments to your comfort level.
As a legendary mutual fund manager once put it, "The key to stock investing isn't the brain. It's the stomach." Never is this statement more true than in a volatile marketplace. Even if your time horizon is long enough to warrant an aggressive growth portfolio, you need to make sure you're comfortable with the short-term ups and downs you'll encounter. If watching your plan balance fluctuate is too nerve-racking for you, think about a portfolio that feels right and set realistic expectations.

Options to consider. Do you want to:

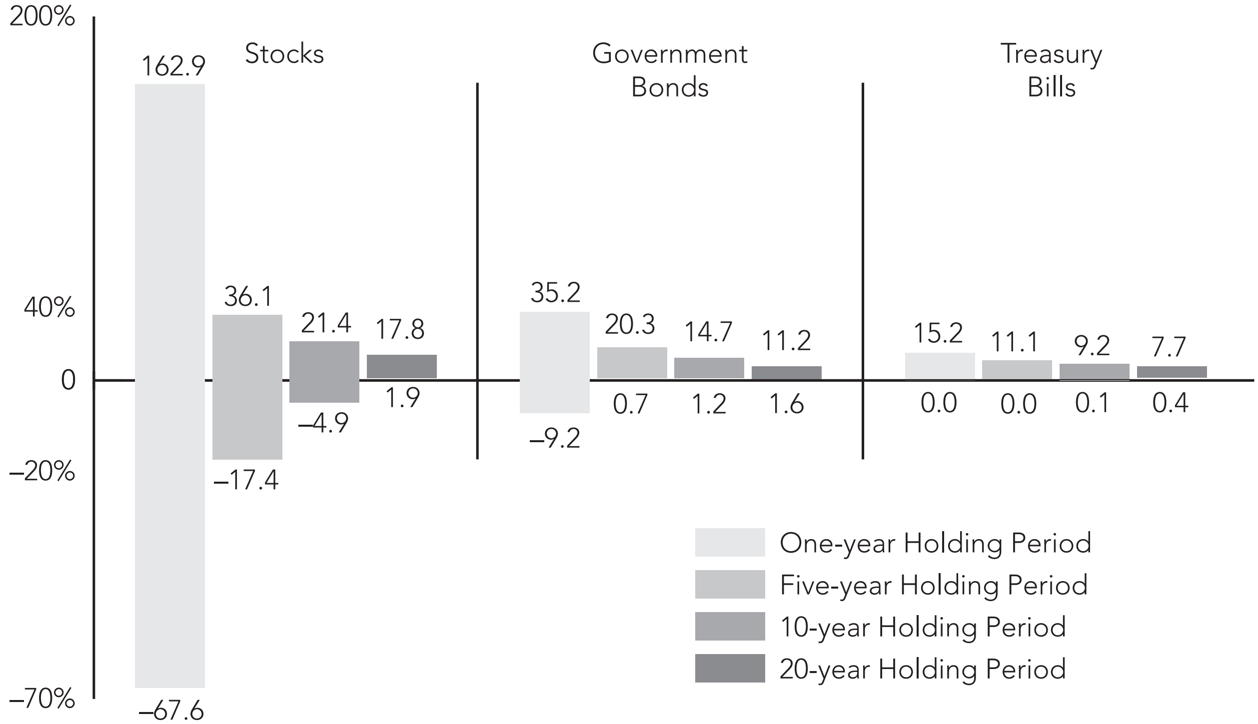
- Develop and maintain a long-term investment strategy, or
- Take a hands-off approach and invest in a single-fund solution, or
- Place your workplace savings plan in a managed account

3. Diversify, diversify, diversify.
One way to help protect yourself from market downturns is to own various types of investments. First, consider spreading your investments across the three asset classes—stocks, bonds, and short-term investments. Then, to help offset risk even more, diversify the investments within each asset class. Keep in mind, however, that diversification doesn't ensure a profit or guarantee against loss.

4. Invest for the long term.
To help calm the jitters caused by short-term fluctuations, it's best to focus on long-term trends and your long-term goals. Volatility isn't necessarily a bad thing. As the chart on the next page shows, dramatic short-term changes in value can be positive or negative. And historically, time has reduced the risk of holding a diversified stock portfolio.

The market is much calmer in the long run.

This chart shows the span between the largest average 1-year, 5-year, 10-year, and 20-year gains and losses among three key market indexes for the period 1926–2017. As you can see, short-term holdings (especially in stocks) are extremely volatile. Historically, a long-term approach has provided a much smoother ride.



Source: Ibbotson Associates, 2018. This chart is a graphical representation of the best and worst rolling 12-month, 5-year, 10-year, and 20-year periods for the S&P 500® Index, Bloomberg Barclays U.S. Aggregate Bond Index, and U.S. 30-day Treasury bills for the period 1926–2017.

Past performance is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or implied performance of any investment option.

Stocks are represented by the S&P 500® Index, which is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Bonds are represented by the U.S. Intermediate Government Bond Index, which is an unmanaged index that includes the reinvestment of interest income.

Short-term instruments are represented by U.S. Treasury bills, which are backed by the full faith and credit of the U.S. government. Inflation is represented by the Consumer Price Index (CPI), is a widely recognized measure of inflation, calculated by the U.S. government.

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Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuation than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are generally only slightly above the inflation rate. You cannot invest directly in an index.

5. Don't try to time the market.
No one can consistently predict the market, not even the experts. Yet many investors think they can guess what will happen, based on hunches or rumors. Unless you know precisely when to buy or sell, you can, and probably will, miss the market. This can really cost you. Most of the market's gains occur in just a few strong, but unpredictable, trading days here and there. To benefit from the market's long-term performance, you need to be in the market on those days. This means you have to invest for the long run and stick with it throughout the market's ups and downs.

6. Do well "on average."
By investing regularly over months, years, and decades, you can actually benefit from a volatile market. Through a time-proven investment technique called dollar cost averaging, you simply put a set amount in each of your plan investments every pay period, regardless of how the market's doing. Over the years, your money buys more units of each investment option when prices are low, and fewer when prices are high. As a result, the average price per share of your investments may be lower than if you invested all your money at once. (See the table at the right.) More importantly, you avoid the temptation of trying to time the market.

7. Consider a hands-off approach.
If you choose not to develop and maintain a long-term investment strategy yourself, consider a "hands-off" approach. This kind of approach typically uses a managed account or a single-fund solution. A managed account service enables you to delegate the management of your workplace savings plan to professional investment managers. The single-fund solution offers two types of asset allocation funds to choose from: target date funds (based on an anticipated retirement date) and target allocation funds (based on a risk tolerance and time horizon). With target date funds, the asset mix of stocks/bonds automatically becomes more conservative as the target retirement date approaches. Choose the fund that represents your anticipated year of retirement. With target allocation funds, the asset mix varies from conservative to aggressive. Simply select the target allocation fund that you feel best meets your risk tolerance, time horizon, and investment goals.

The investment risk of each target date fund changes over time as the fund's asset allocation changes. The funds are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

HERE'S HELP
Right now is the perfect time to evaluate how you're invested. For the information, tools, and resources you need to create and manage your investment strategy:

- Visit Fidelity NetBenefits®

In markets like these, Fidelity can help.

Volatile markets can make you wonder if you're on track to meet your investment goals. Now it's time to put that uncertainty to rest.

Fidelity has helped clients through all types of markets for more than 70 years. Let us put that experience to work for you and provide you with the help you may need.

Interested in a more hands-off approach?

To find out whether your workplace savings plan offers a professionally managed service—or if you're interested in investing in a single yet diversified fund strategy or you want to learn more about all the other investment options available in your plan—log in to Fidelity NetBenefits® today.

Dollar cost averaging

Investing a fixed amount at regular intervals is one way to deal with the inevitable dips and gains in the stock market. As this table shows, dollar cost averaging can result in a better average share price than trying to time your purchase. For more about this strategy, see Principle #6.

	Share Price	Investment	Shares Purchased
January	$10	$100	10
February	$7	$100	14.3
March	$6	$100	16.7
April	$8	$100	12.5
May	$9	$100	11.1
Total	**$8 average**	**$500**	**64.6**

Dollar cost averaging does not ensure a profit or guarantee against loss in declining markets. For the strategy to be effective, you must continue to purchase shares both in market ups and market downs.

Investing involves risk, including risk of loss.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment advisor regarding your specific situation.

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