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Retirement Savings Education, Simplified

First Quarter 2018

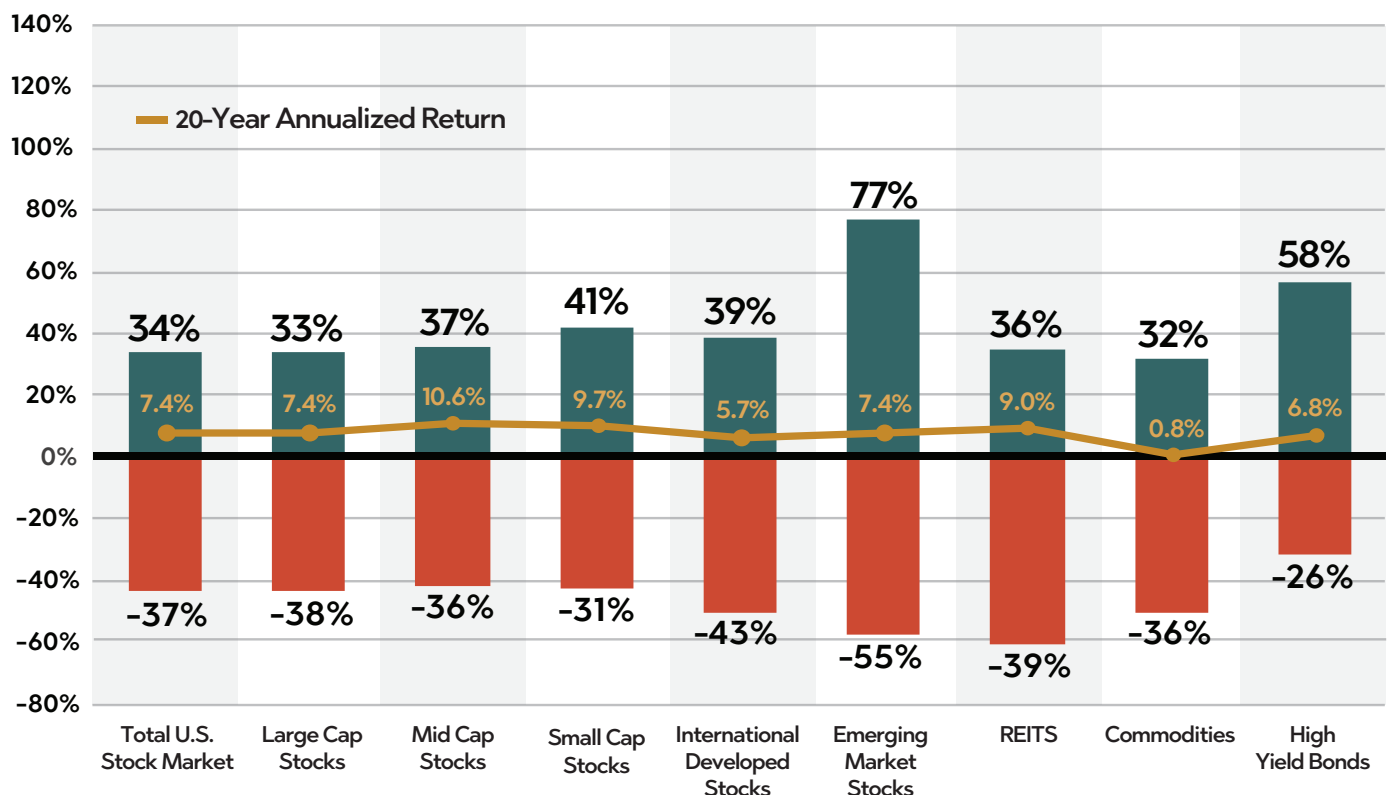
Surviving Market Volatility

Simply uttering the words, “market volatility”, sends chills down the backs of most retirement savers. Volatility is often associated with negativity and bad movements within the marketplace; however, it is technically neither good nor bad. By definition, volatility is the quick and unpredicted price fluctuation of an investment or the entire market. Fluctuations can be both positive and negative and vary in frequency and severity. Think of market volatility as a rollercoaster; there will be ups, downs, some twists and turns, and possibly even a period of easy coasting.

The recent fluctuations of the stock market seems to have a lot of MO Deferred Comp savers feeling uneasy and left wondering if their money is safe. During periods of poor performance, it's easy to make rash decisions based off of emotion. Remember, overreacting during short-term events and engaging in market timing can be detrimental to your savings. The chart below illustrates the best and worst calendar year returns of certain asset classes, along with the annualized return over the past 20-years. It visually shows that **you cannot time the market, but staying the course over a long-period of time can produce positive outcomes.**

FACT: The S&P 500 has returned 10.7% over the last 30 years.¹ That's outstanding!

Dispersion of Annual Returns & Annualized Market Return Over 20-Years²



¹As of December 2017; ²Index: Total U.S. Stock Market (Russell 3000), Large Cap Stocks (Russell 1000), Mid Cap Stocks (S&P Midcap 400), Small Cap Stocks (S&P Smallcap 600), International Developed Stocks (MSCI EAFE), Emerging Market Stocks (Dow Jones Emerging Markets), REITS (Dow Jones U.S. Select REIT), Commodities (Bloomberg Commodity), High Yield Bonds (Bloomberg Barclays U.S. Corporate High Yield). Past performance is no guarantee of future results.

While it is hard to sit through a market dip, it is important to stick to the plan and keep saving in order stay on track to meet your long-term retirement goals. Before you jump off the investment rollercoaster, here are a few things to keep in mind:

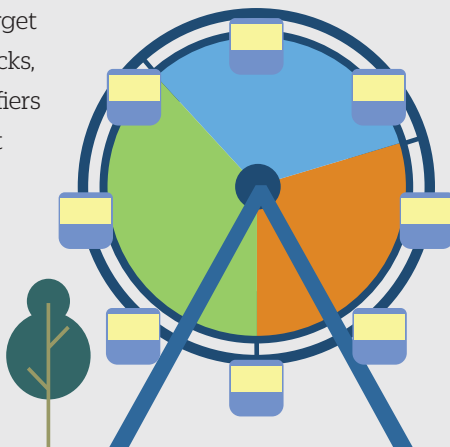
Take a Chill Pill

Perhaps one of the most common pieces of advice given by financial professionals is to **be involved but do not pay too much attention to the day-to-day changes in the market.** Studies show the more often savers look at their investments and see occasional losses, the less willing they are to take on risk. Keep in mind, risk is okay! Without it, progress cannot be made. Also remember, not everything you read on social media or see on the nightly news is true. The media tends to feed on negative issues and only fuels the fear in savers when the unexpected happens. If you have questions about recent reports or market activity, contact your local education specialist and let them explain what is happening in the investment world.

Your best bet as a deferred comp saver is to relax, stay focused on your long-term goals, keep contributing to your MO Deferred Comp account, hang on tight, and enjoy the ride.

Diversify, Diversify, Diversify

Diversification simply means you do not put all your eggs (money) into one basket (type of investment). **Spreading your money across a wide variety of investments is a good way to minimize your risk during a market swing.** Luckily, for state of Missouri employees, the MO Deferred Comp Plan offers an all-in-one savings option – the Missouri Target Date Funds – to help savers diversify without the hassle or stress of managing an investment portfolio. Target date funds consist of stocks, bonds, and other diversifiers and automatically adjust as a saver moves closer to retirement. For more information on deferred comp's simplified investment lineup, visit modeferredcomp.org.



Market Volatility is NORMAL!

It is important to remember, particularly during times of market uncertainty, what goes down will come up and periodic drops or “corrections” are not all bad for savers, especially those with long-term savings goals. According to Bespoke Investment Group, declines are more frequent than savers may realize. Historical data shows us that corrections have taken place about once a year since 1928. **Market downturns happen and they are completely NORMAL!** In fact, a dip in market prices often gives financial professionals, like MO Deferred Comp, an opportunity to buy investments at lower prices, which can lead to bigger gains in the future.

SAVINGS TIP: One of the best ways to stay on track is to automate your savings!

Stick to the Plan

It is easy to lose sight of the end goal – a comfortable retirement lifestyle – when things are not going as planned. **Having a goal in mind with a plan of action can help you stay focused on the end-result while riding out the ups and downs of the market.** One of the best ways to stay on track is to automate your savings. Automatic enrollment and paycheck deductions, percent-of-pay contributions, and auto-increase are just a few tools MO Deferred Comp offers to make saving for retirement simple. If you need help developing a plan, calculating how much you will need in retirement, or automating your savings, schedule a meeting with your local deferred comp education specialist in the near future. These experienced professionals do not earn a commission and are dedicated to helping you prepare for your future.

Saving money for retirement can be stressful if you are constantly worrying about daily fluctuations. The bottom line is that market downturns are inevitable, but they do not mean disaster if you plan ahead and save wisely. Your best bet as a deferred comp saver is to relax, stay focused on your long-term goals, keep regularly contributing to your MO Deferred Comp account, hang on tight, and enjoy the ride.



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