MANNING & NAPIER ADVISORS, LLC

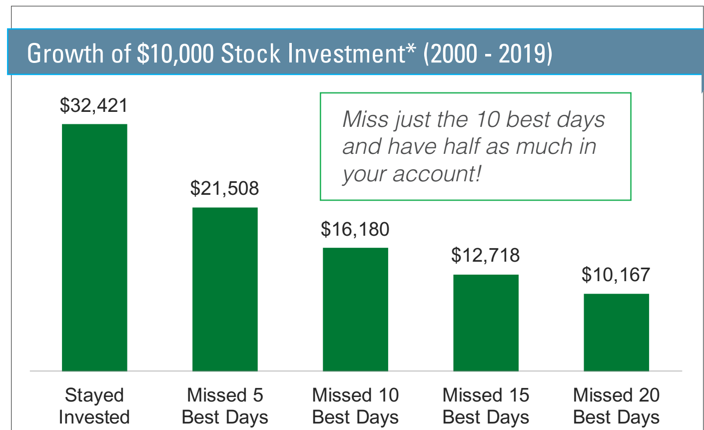
Investing in Difficult Times

Many of us have experienced "statement shock" – that anxious feeling you get when you look at your retirement account balance during a period of turbulent markets. No one likes to see their account go down in value, but taking a reactive approach to investing can work against you. While it is human nature to want to avoid losses, try not to let day-to-day stock market volatility affect your investment decisions.

A Short-Term View Can Sacrifice Returns

One of the biggest mistakes an investor can make is to buy high and sell low. Keep in mind that markets go through cycles, which include periods of both ups and downs. When the stock market is doing well, it can be tempting to take a more aggressive investment approach, even if you are a conservative investor. If you panic and switch to lower risk investment options after the market drops, you will most certainly lock in your losses.

Moving out of stock investments during volatile market environments may also cause you to miss the initial positive returns when the market begins to recover. To illustrate this, the chart to the right shows how a $10,000 stock investment performed over a 20 year period when someone stayed invested versus missing just a few days in the market.

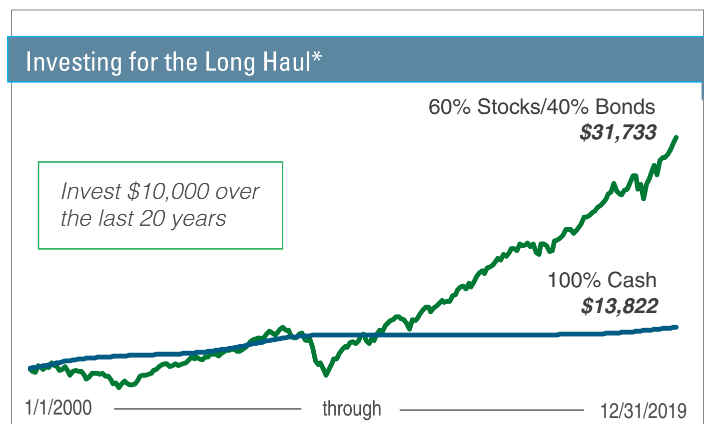


Source: Bloomberg

Diversification Can Help You Stay the Course

If your investment mix provides the right balance of risk and reward given your retirement goals, you should be able to stick with your investment strategy regardless of what the markets are doing. One of the main concepts behind diversification is that when one investment is doing poorly, others are doing well. A well-diversified investment that makes sense for your time horizon and risk tolerance can help manage risk when markets are volatile.

This chart shows how a diversified portfolio of both stocks and bonds can outpace cash over time. Even with downturns in the market, including two pretty severe drops — in 2001 and again in 2008 — the person who diversified their portfolio and stayed true to their investment strategy through the difficult times did much better over the last 20 years than the person who decided to invest in a more conservative cash investment, such as a stable value or money market option.



Source: Morningstar

*For illustrative purposes only. Past performance does not guarantee future results.
Analysis by Manning & Napier. Stocks = S&P 500[2]; Bonds = Bloomberg Barclays Aggregate Bond Index[3]; Cash = 30-Day U.S. Treasury Bills[4].
These indices are unmanaged and are not available for direct investment. Index returns do not reflect any fees or expenses.

Tips to Help You Stay on Track

While it might seem like there is not much under your control when markets are volatile, there are steps you can take to help keep you on track toward reaching your retirement goals.

- **Consider your personal goals.**
  Think about your time horizon and risk tolerance. If your investment mix does not match your personal objectives, a review of your investment options may be in order.

- **Focus on your long-term results.**
  Don't be tempted to look at just your recent short-term results. Instead, focus on the long-term average return of your overall investment strategy for a clearer understanding of how your investment mix has performed over a variety of environments.

- **Don't let emotion guide your decisions.**
  It's tough to put your emotions aside when it comes to your money. If you are investing for retirement, you can expect short-term ups and downs in your account value along the way. Keep in mind that it's not the market moves that matter most - it's your response!

- **Save more.**
  While you don't have control over the economy or market returns, you can decide how much you save. Increase your contributions to your retirement account or additional savings accounts outside the retirement plan to help make up for potentially lower investment returns.

Times like this can prompt many investors to take a closer look at their investments. Remember that all investments involve risks, including possible loss of principal. Consider your personal objectives before making any changes to your investment strategies. Once your investment strategy is appropriately aligned with your goals, stay your course until your objectives change!

Your Time Horizon

For most people, retirement investing is a long-term plan – one you shouldn't abandon because of short-term market fluctuations. Remember that losing money due to stock market declines is not the only risk you face as an investor. Failing to earn enough money to fund your retirement is also a risk. For a long-term investor, avoiding stocks entirely is one way to likely come up short.

As you get closer to retirement and have less time to recover from market declines, you'll want to limit some of the volatility that can occur with stocks. Investors with a shorter time horizon should consider investing a larger portion of their portfolio in more stable investments, such as bonds and cash.

Your Risk Tolerance

It is typically during difficult market periods that we learn how much risk we are really willing to take. If you lose sleep at night because you are worried about the investment choices you've made, it is probably a good indication that you are invested either too aggressively or too conservatively. The key to investing for retirement is setting your expectations for both good and difficult times, and making sure you are appropriately invested for your risk tolerance.

It is also important to consider your portfolio's performance in relation to your investment goals and risk tolerance. If you are a conservative investor, you can't expect your investments to regularly outperform the stock market!

Diversification does not assure a profit or protect against loss in a declining market.

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[2]The S&P 500 Total Return Index is an unmanaged, capitalization-weighted measure comprised of 500 leading U.S. companies to gauge U.S. large cap equities. The Index returns do not reflect any fees or expenses. The index accounts for the reinvestment of regular cash dividends, but not for the withholding of taxes. Index returns provided by Bloomberg. S&P Dow Jones Indices LLC, a division of S&P Global Inc., is the publisher of various index based data products and services, certain of which have been licensed for use to Manning & Napier. All such content Copyright © 2020 by S&P Dow Jones Indices LLC and/or its affiliates. All rights reserved. Data provided is not a representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and none of these parties shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

[3]The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged, market-value weighted index of U.S. domestic investment-grade debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. Index returns do not reflect any fees or expenses.

[4]Ibbotson Associates SBBI U.S. 30 Day Treasury Bill Index (30-Day U.S. Treasury Bills) is an unmanaged index representing the U.S. Treasury Bill Market. The index is constructed as a one-bill portfolio containing the shortest-term bill having not less than one month to maturity.

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