

# Turn Market Volatility to Your Advantage

## Group Plan Member Newsletter – December 2008

In recent months investors have seen continued market volatility and declining markets in Canada, the U.S. and around the world. Concerns regarding the markets have made it challenging for even the most disciplined investors to maintain a steady course.

What should an investor do during this time of volatility? We suggest that investors consider the following advice to manage a market decline.

### **1. Take a long-term approach.**

Investment markets have cycles that include periods of growth as well as periods of decline generally every seven to ten years. In the past, there have been almost twice as many up years as down years. Since 1920, the S&P/TSX Composite Index has posted positive returns for a total of 59 years, and negative returns for 30 years. (source: Bloomberg)

While we expect volatility to continue in the markets, what we don't know is when the decline has run its' course. History does suggest that following periods of decline, stock markets have the potential for periods of significant gains.

### **2. Stay with your current investment strategy during down times.**

Disciplined investing works in all market conditions. When you selected your investments, you may have completed an Investor Style Questionnaire and selected an Asset Allocation fund or your own mix of funds. The choice of investments for your retirement savings was made in consideration of your tolerance for risk and time frame until retirement.

Now is not the time to undo those carefully made plans. Investors that move out of their investments when they are down in value not only lock in losses but also lose out on the opportunity for potential recovery and long-term gains during the next cycle of growth.

Assuming that an investor is invested according to their risk tolerance, the best advice is to maintain the current investment mix.

### **3. Understand the benefits of dollar cost averaging.**

Group plan members that continue to make regular contributions to a retirement savings program buy units of funds at all cycles of the market. During low cycles they are automatically buying more units of funds at a lower cost. The result of purchasing more units can result in greater gains over the long term.

Plan members are encouraged to review their investment strategy with a professional. You may review your plan by contacting Reuter Benefits at 1-800-666-0142 or via email at [retire@reuterbenefits.com](mailto:retire@reuterbenefits.com)