The decision to stay invested during market turmoil is often better than timing when to sell and buy.

Staying the course during market volatility is often difficult for many investors. Some choose to move to cash investments, while others try to time the market. Unfortunately, these investors are often buying high and selling low—and miss the rallies that follow the challenging periods.

So, does staying the course pay off?

In the chart (below), we look at a hypothetical portfolio of 60% stocks and 40% bonds faced with three alternatives as of Sept. 30, 2008 (two weeks after the collapse of Lehman Brothers). The starting point for the $100,000 hypothetical portfolio is Oct. 9, 2007, the prior market peak.

The choices as of Sept. 30, 2008 are:

OPTION #1: Stay invested, and make no changes.

OPTION #2: Move to 100% cash, represented by the Barclays 1–3 Month U.S. Treasury Bill Index, and remain in cash.

OPTION #3: Move to 100% treasuries, represented by the Barclays Treasury Index, on Sept. 30, 2008, and remain in treasuries.

As the chart shows, when sticking with a 60/40 portfolio, investors recovered a greater percentage of their lost value—and at a faster rate—than going to cash or treasuries.
Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns. No investment strategy can guarantee a profit or protect against a loss.

These views are subject to change at any time based upon market or other conditions and are current as of the date at the top of the page.

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The Russell 3000® Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the US) and 24 Emerging Markets countries.

Bloomberg Barclays U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment-grade corporate debt securities, and mortgage-backed securities.

Barclays 1–3 Month U.S. Treasury Bill index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

Barclays Treasury Index is an index composed of all U.S. Treasury publicly issued obligations. Includes only notes and bonds with a minimum outstanding principal amount of $50 million and a minimum maturity of one year.

Indexes are unmanaged and cannot be invested in directly. Data is historical and is not indicative of future results.

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