FRYE RETIREMENT
PLANNING

401(K) BUZZ

The South Florida Resource for Qualified Retirement Plans

# EMPLOYEE EDUCATION CORNER


## Don't Let Market Fluctuations Derail Your Plans

### Saving For Retirement Means That You're In It For The Long Haul

Long-term investing is just that - investing for the long-term. Although the market may experience a lot of ups and downs in the short term, **history has shown that the longer you hold your investments, the more they grow and the more stable your returns generally become**. Holding steady today may help you maximize your wealth in the future.

It may be hard to imagine some days, but it's key to remember: **investments grow over the long term, despite volatility**. For example, look at this chart illustrating the growth of $100,000 from September 30, 2007 (a fairly hair-raising period!) through December 31, 2021:[1]

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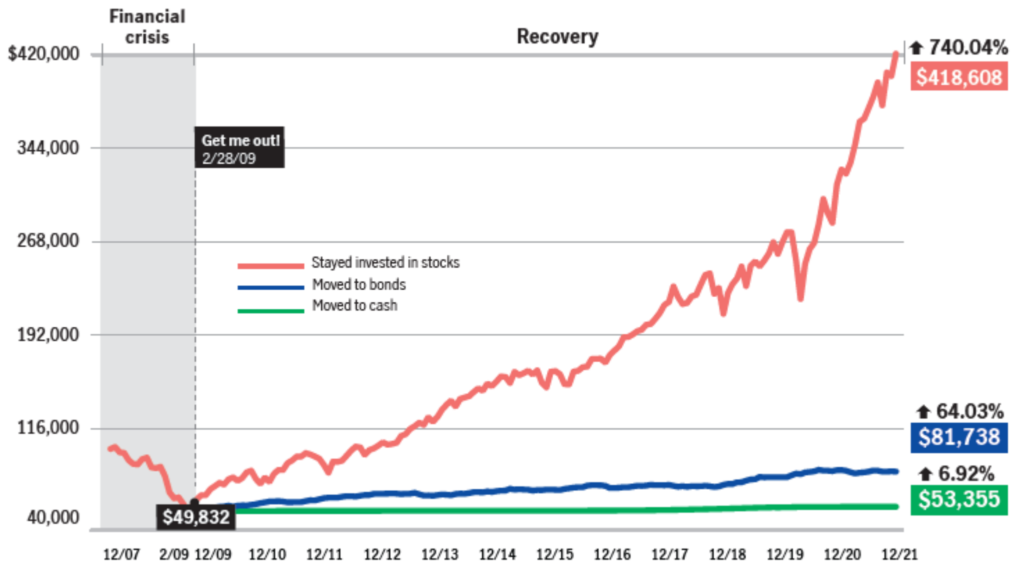
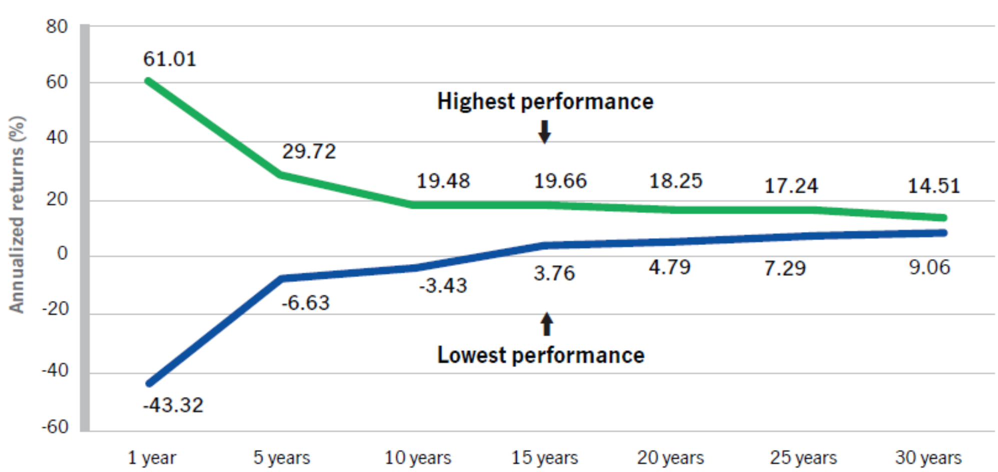



While short-term fluctuations tend to grab our attention, it's important to **stay focused on the markets' long-term growth potential**. Although it might feel uncomfortable, or even counter-intuitive, tuning out the short-term noise and focusing on the long-term goal can be rewarding. Returns become more consistent the longer you stay invested, as illustrated by this chart:[2]

S&P 500 Index: average annualized returns by holding period



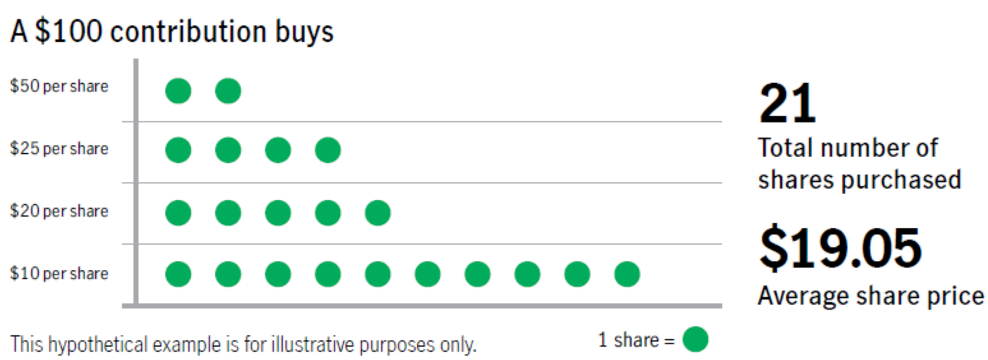

Generally speaking, and although past performance doesn't guarantee future results, **time in the market may reduce the impact of volatility**. The likelihood of a positive return becomes greater the longer an investment is held, as seen above. The difference between the highest and lowest outcomes narrows the longer the time horizon is extended. Research shows there was no negative performance of the S&P 500 Index at terms of 15 years or more.

**And here's another thing to consider during turbulent times.**

There is actually a **benefit to continuing your contributions while the market seas may be choppy**; it's called "dollar cost averaging." Understanding how this works may help put you at ease about continuing to invest in your retirement savings plan throughout market swings.

It's natural that when stock markets fall, you may not feel comfortable contributing to your retirement plan. But this may not be the best decision, since your contributions actually work harder for you in falling markets.

Take a look at this example of a $100 contribution...when the market value per share of an investment drops from $50, to $25, to $20, then to $10, you're able to buy more shares with your $100 at the lower price. As the price increases, you get fewer shares for your $100.




Over time, the high and low prices average out, which can help improve your personal long-term return on investment. This systematic approach to investing, **dollar cost averaging, is one of the key benefits of saving for retirement through your 401(k) plan**.[3]