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REYNOLDS & Associates

focus On®

Surviving Market Swings

Investment Strategies for Uncertain Markets

Contents

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Factors That Cause Market Volatility

The financial markets are frequently beset by challenges. Political uncertainty, international conflicts, interest-rate decisions, and economic shifts — both here and abroad — can spur volatility in the financial markets. And often it's a case of *when* and not *if* it happens.

Your plans for the future shouldn't have to depend on daily fluctuations in the stock market. Gains and losses are part of investing. By using deliberate, time-tested approaches, you may be able to pursue your goals without feeling as though you need to constantly adjust your portfolio to react to today's news.

Historical Perspective on Market Cycles

Realizing that markets move in cycles might help keep you stay calm in the face of market volatility.

A **pullback** is typically defined as a 5% to 10% dip in a market index (such as the S&P 500 or the Dow Jones Industrial Average) from a recent high. When the market closes 10% to 20% below its 52-week high, it is considered to be a **market correction**.

A **bear market** is typically defined as a decline of 20% or more from the most recent high, and a **bull market** is an increase of 20% or more from a bear market low.

There's no way to know what the defining moments of 2025 will be, but you can count on market swings to challenge your patience as an investor.

Keep in mind that the value of stocks fluctuates with market conditions. Shares, when sold, may be worth more or less than their original cost.

As you can see on this table, the S&P 500 index reached a peak in January 2022, before descending into a bear market that ended in October 2022 — and marked the start of a new bull market.

There have been 10 bear markets since 1960. On average, bull markets lasted longer than bear markets over this period, and the average bull market advance (194.9%) was greater than the average bear market decline (–36.0%).

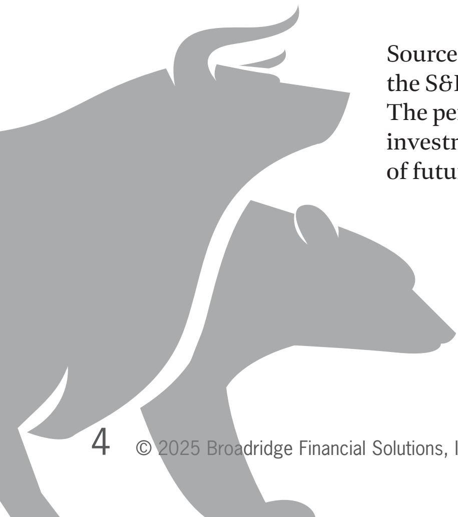
The takeaway is that neither the ups nor the downs last forever, even though they may feel as though they will.

11-Year Run

The bull market that began in March 2009 — the longest in U.S. history — ended in 2020 after about 11 years.

Bear Markets Since 1960	Calendar Days to Bottom	U.S. Stock Market Decline (S&P 500 index)
December 1961 to June 1962	196	–28.0%
February 1966 to October 1966	240	–22.2%
November 1968 to May 1970	543	–36.1%
January 1973 to October 1974	630	–48.2%
November 1980 to August 1982	622	–27.1%
August 1987 to December 1987	101	–33.5%
March 2000 to October 2002	929	–49.1%
October 2007 to March 2009	517	–56.8%
February 2020 to March 2020	33	–33.9%
January 2022 to October 2022	282	–25.4%

Source: Yahoo! Finance, 2025, for the period 12/12/1961 to 12/31/2024. Stocks are represented by the S&P 500 Index which is generally considered to be representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.



Introduction

Economic Factors That Influence the Financial Markets

When developing your financial strategy, it's important to consider how overall market conditions might affect your portfolio — now and in the future. You want to position yourself financially for a range of possibilities, taking into account the factors that may influence the economy and the financial markets, such as:

- Inflation/Interest rates
- Energy prices
- International trade
- Consumer spending
- Corporate profits
- GDP growth
- Employment conditions
- Home prices

Outlook for the U.S. Economy in 2025

Economic projections from the FOMC's December meeting pointed to slower but solid GDP growth in 2025, with a median forecast of 2.1%. By the end of the year, the expectation was for the unemployment rate to reach 4.3% and for inflation to inch down to 2.5%, based on the committee's median projections.

But because the progress on inflation seemed to stall near the end of 2024, the FOMC forecasted just two quarter-point rate cuts in 2025, backing off by roughly half from their previous projections.[1]

Forecasts are based on current conditions, are subject to change, and may not come to pass. The economy could grow faster or slower than projected.

Source: The Federal Reserve, December 2024

"We're in a good place, but I think from here it's a new phase and we're going to be cautious about further cuts."

— Federal Reserve Chair Jerome Powell December 18, 2024

Four Steps to Building a Stronger Portfolio

Are you confident that you have positioned yourself to weather changes in the economy and the financial markets? Many investors are concerned about how recent events may affect their finances. To potentially benefit during good times and bad, consider sound ways to help pursue your goals.

1 Develop a Sound Financial Strategy
2 Assess Your Investment Options
3 Focus on the Fundamentals
4 Put It All Together

Develop a Sound Financial Strategy

A sound financial strategy can help keep you from being stampeded into making poor investment decisions — especially during uncertain times. There are three main considerations to bear in mind when developing a sound strategy.

1. Investment objectives

2. Time frame

3. Risk tolerance

"Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy when others are fearful."

— Warren Buffett

Source: 2004 Letter to Shareholders, Berkshire Hathaway

Investment Objectives

The first step in developing a sound strategy is establishing your investment objectives. What are you trying to achieve by investing? Are you working toward a comfortable retirement, a college education for family members, a cabin in the mountains, or a trip around the world?

Your personal financial goals will help determine the appropriate mix of assets for your investment portfolio depending on which objectives you are pursuing: preservation of principal, income, growth, and/or tax benefits.

Time Frame

The amount of time you have before you need to accomplish your goals can have a tremendous impact on the investment categories you choose. That's because fluctuations in the financial markets can affect the short-term value of certain types of investments.

If your time frame is short, you wouldn't want to invest all your money in aggressive investments that carry a lot of risk. You simply wouldn't have time to recover from heavy losses if they occurred. Retirees are especially vulnerable to market volatility. Think about what could happen if a bear market or a market downturn occurred during the early years of your retirement and you had a high percentage of your portfolio in stocks. Major losses could have a significant impact on the longevity of your portfolio.

Risk Tolerance

Determining your risk tolerance means evaluating how much risk you are willing to take in pursuit of your financial goals. Volatility in the markets can test the true risk tolerance of investors and drive home the fact that risk is an essential consideration of a sound investment strategy.

Risk Tolerance Quiz

How much risk are you willing to take to pursue your goals? Generally, the more potential for growth offered by an investment, the more risk it carries. This quiz will help you assess your own ability to withstand investment risk.

Which of the following investments do you feel most comfortable with?

a. **Certificate of deposit**
b. **High-grade corporate bond**
c. **Growth stock**

Of the following stocks, which do you feel would most suit your needs?

a. **A conservative utility stock that pays high dividends but offers little chance for long-term growth**
b. **A blue-chip stock that offers the potential for modest dividends and growth**
c. **An aggressive small-company stock that pays no dividends but offers great potential for long-term growth**

What have you traditionally considered most important from your investments?

a. **Safety**
b. **Conservative growth**
c. **Maximum growth**

You just made a $100,000 investment. The following amounts represent the estimated best-case and worst-case scenarios after one year. Which range of possible outcomes would you prefer?

	Best case	Worst case	Possible gain/loss
a.	$104,000	$96,000	$ 4,000
b.	$108,000	$92,000	$ 8,000
c.	$112,000	$88,000	$12,000

Which statement most closely resembles your feelings about risk?

a. **I am not willing to take risks with my investments.**
b. **I am willing to take limited risks with my investments.**
c. **I am willing to take substantial risks with my investments.**

If your risk tolerance changes, you may want to adjust your portfolio's asset allocation — for example, by reducing your exposure to growth-oriented investments or increasing the proportion of fixed-income investments.

Rebalancing a portfolio typically involves buying and selling investments, which could have tax repercussions.

SCORING

If you selected mostly "a" answers, you are likely to be a low-risk investor. For example, you might be mostly concerned with the preservation of your capital and the potential for current income. You aren't willing to risk your capital for greater potential returns.

If you selected mostly "b" answers, you are generally conservative, but recognize the need to consider growth-oriented alternatives. You may be willing to take modest risks to earn above-average, long-term returns.

If you chose mostly "c" answers, you may be a relatively high-risk investor. You are primarily concerned with long-term appreciation, and you may be willing to take on more risk to earn greater long-term potential returns.

Types of Investment Risk

Economic risk. Securities are vulnerable to economic instability. When the economy falters or global growth slows down, corporate earnings can suffer.

Market risk. When the market declines sharply, it tends to pull down the value of most individual securities with it.

Company-specific risk. These risks may affect only certain companies or industries. For example, management decisions, product quality, and consumer trends can affect company earnings and stock values.

Interest-rate risk. Bonds and other fixed-income investments tend to be sensitive to changes in interest rates. When interest rates rise, the value of these investments falls, and vice versa.

Credit risk. Bond yields are closely tied to their perceived credit risk, which is the possibility that a borrower will default on any type of debt. Defaults can result in losses of principal and interest, disruption of cash flow, and collection costs.

Inflation risk. Inflation is the increase in the prices of goods and services over time, which could reduce your future purchasing power.

All investments are subject to market fluctuation, risk, and loss of principal. Investments, when sold, and bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.

Inflation Danger

Three decades from now, it could cost much more to buy the items you need.

For example, a $50 bag of groceries could cost $121 in 30 years, assuming a 3% average annual inflation rate.

Inflation and the Loss of Purchasing Power

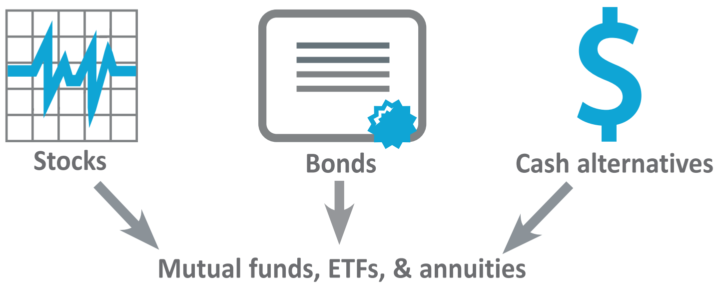
Regardless of how quickly your investments are growing, they're always losing ground to inflation. Here are four common items and what they might cost in 20 years, assuming a 3% annual inflation rate.

	Cost Today	Future Cost in 20 Years
Gallon of milk	$4.00	$7.22
Haircut	$45.00	$81.28
Running shoes	$100.00	$180.61
New car	$47,000	$84,887

Future costs in this hypothetical example are based on mathematical principles and used for illustrative purposes only. A 3% annual inflation rate cannot be guaranteed. Actual results will vary.

Investment Vehicles

When it comes to choosing solid investment vehicles, most people think of stocks, bonds, and cash alternatives. Mutual funds and exchange-traded funds (ETFs) are portfolios of securities assembled by an investment company. Annuities are insurance-based products.



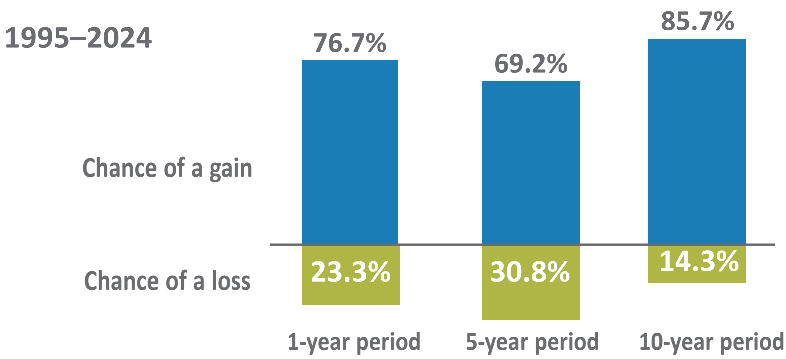
Mutual funds and exchange-traded funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, is available from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, surrender charges (assessed if the contract owner surrenders the annuity), and terms for keeping the annuity in force. Withdrawals of annuity earnings are taxed as ordinary income; withdrawals prior to age 59½ may be subject to a 10% federal tax penalty. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

Why Invest in Stocks?

Compared with other types of investments, stocks have had a strong overall performance record over long periods of time, providing a 10.92% average annual return over the 30-year period from 1995 through 2024. Although stocks can be volatile, investors have been able to lower their exposure to risk on a historical basis by investing over the long term.

All investments are subject to market fluctuation, risk, and loss of principal. Investments, when sold, may be worth more or less than their original cost.



Source: London Stock Exchange Group, 2025, for the period 1/1/1995 to 12/31/2024. Ranges consider the 30 one-year periods, the 26 five-year periods, and the 21 10-year periods from 1995 through 2024. Stocks are represented by the S&P 500 Composite Total Return Index which is generally considered to be representative of the U.S. stock market. The returns shown do not reflect taxes, fees, and other expenses typically associated with investing which would reduce the performance if included. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.

During times of market volatility, asset prices are likely to be driven by common market shocks — and investor fear and greed — rather than by their respective underlying fundamentals.

Fundamental Measures of Value and Volatility

Price/earnings ratio. The P/E ratio is a simple mathematical calculation in which you divide the price per share of a stock by the company's annual earnings per share to find the price you are paying for each dollar in earnings. A high P/E ratio is generally considered to reflect market optimism about a company's future, but it shouldn't be taken literally as the basis for investment. Different sectors of the economy often reflect significantly different P/Es.

Beta coefficient. You can estimate how volatile a stock is likely to be using its beta coefficient, or beta. If a stock's beta is 1.0, the stock will tend to move with the market. When the market rises 10%, the stock can be expected to rise 10%, on average. If the stock's beta is 1.5, it tends to be more volatile than the market. So, for example, if the market drops 10%, the stock can be expected to drop 15%, on average.

Bonds

A common misconception is that bonds are appropriate only for conservative investors, but they can actually play a stabilizing role in any portfolio. Use this quiz to test your bond knowledge.

BOND QUIZ

1. **A bond can be defined as:**
   a. A debt security issued by a government or a corporation
   b. A share in a corporation
   c. A stock mutual fund
   d. The right to a company's future earnings

2. **A bond fund is:**
   a. Preferred stock
   b. A mutual fund that buys and sells bonds
   c. A portfolio of stocks
   d. Less risky than other investment vehicles

3. **When interest rates rise, bond prices can be expected to:**
   a. Rise
   b. Fall
   c. Stay the same
   d. None of the above

4. **Generally, the higher the credit rating:**
   a. The riskier the bond
   b. The safer the bond
   c. The more likely the borrower will default
   d. Credit ratings don't affect bonds

ANSWERS: 1) a; 2) b; 3) b; 4) b

The value of bond mutual fund shares will fluctuate with market conditions. Shares, when redeemed, may be worth more or less than their original cost. Bond funds are subject to the interest-rate, inflation, and credit risks associated with the underlying bonds in the fund. As interest rates rise, bond prices typically fall, which can adversely affect the fund's performance.

Bonds and Interest-Rate Risk

Most bonds are sold at "par" or "face" value — the price at which the bond is issued — and they pay interest to the bondholder on a regular basis. When the bond matures, the borrower repays the bondholder's principal in full. However, you can sell a bond on the open market before it matures. Because a bond's value will rise or fall in response to changes in interest rates, you may end up with more or less than the original face value of the bond if you sell the bond before it reaches maturity.

Value of a Bond When Interest Rates Rise or Fall

When interest rates rise, the market value of existing bonds falls. When interest rates fall, the market value of existing bonds rises.

Interest Rates Rise 1%

Bond Maturity	Face Value	New Market Value
2 years	$1,000	$982
5 years	$1,000	$959
20 years	$1,000	$894

Interest Rates Fall 1%

Bond Maturity	Face Value	New Market Value
2 years	$1,000	$1,019
5 years	$1,000	$1,043
20 years	$1,000	$1,125

Assumes $1,000 bonds paying 6% interest. This hypothetical example is used for illustrative purposes only. Actual results will vary. An investor who holds the bonds to maturity would receive the interest payments due (barring default) and the $1,000 principal.

Low-Yielding Cash Alternatives

Of the major investment vehicles, cash alternatives tend to be the "safest," which means there is little fluctuation in their value. Cash investments tend to grow slowly and may not keep pace with inflation. The most common cash alternatives are savings accounts, certificates of deposit (CDs), and money market funds. Keep in mind that low-yielding investments may be eroded by taxes and may not keep pace with inflation.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in such a fund.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Bank savings accounts and CDs are FDIC insured up to $250,000 per depositor, per federally insured institution, and offer a fixed rate of return, whereas the value of money market mutual funds can fluctuate.

Position Some Assets for Growth Potential

A portfolio that is positioned too conservatively is subject to interest-rate risk, may not outpace inflation, and may not go the distance.

Understanding Capital Gains and Losses

If changes in the markets prompt you to sell some investments for more or less than your adjusted tax basis in the asset, it may result in a capital gain or a capital loss. Short-term capital gains — profits on investments held for 12 months or less — are taxed as ordinary income.

Long-term capital gains — profits on investments held for more than 12 months — receive special tax treatment. The top long-term capital gains rate is 20% (single filers whose taxable incomes exceed $533,400 and married joint filers whose taxable incomes exceed $600,050 in 2025). Single filers with taxable incomes up to $48,350 (up to $96,700 for joint filers) pay zero tax on long-term capital gains. The remaining investors pay 15%. Qualified dividends receive the same tax treatment as long-term gains.

If your capital losses exceed your capital gains for the year, the excess can be deducted on your tax return and used to reduce other income, such as wages, up to a $3,000 annual limit of ordinary income ($1,500 if married filing separately). If your total net capital loss is more than the annual limit on capital loss deductions, you can carry over the unused portion to the next year.

Taxation of Fund Distributions

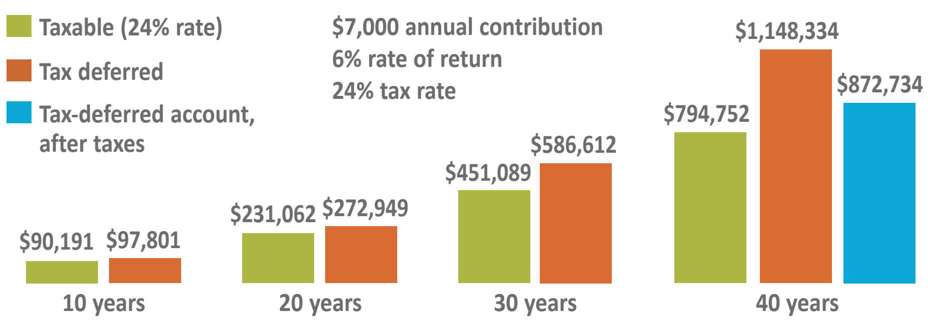
When mutual funds are held in taxable accounts, fund distributions are taxable to shareholders — either as short-term and/or long-term capital gains, dividends, or interest — for the year in which they are received, even if distributions are reinvested in new shares.

Tax-Deferred Plans and the Potential for Growth

The money you contribute to tax-deferred plans, as well as any earnings, will accumulate tax deferred. Typically, when you buy or sell investments within your plan, there won't be any tax implications (subject to plan rules). You won't owe any income tax until you withdraw money from the account, at which time it will be taxed as ordinary income. Moreover, when you make pre-tax contributions to an employer-sponsored retirement plan or tax-deductible contributions to a traditional IRA, you could potentially lower your taxable income in a given year.

This chart shows the potential growth in account value of a $7,000 annual investment in a taxable and a tax-deferred vehicle.

Tax deferral has the potential to boost your earnings potential because you have your full contribution working for you.



This hypothetical example is used for illustrative purposes only. Actual results may vary. Distributions from tax-deferred plans are taxed as ordinary income; withdrawals prior to age 59½ may be subject to an additional 10% federal income tax penalty. Rates of return will vary over time, especially for long-term investments. Investment fees and charges are not considered; if included, they would reduce the performance shown. Lower maximum tax rates for capital gains and dividends could make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown. An individual's time frame and income tax bracket, both current and anticipated, should be considered when making financial decisions.

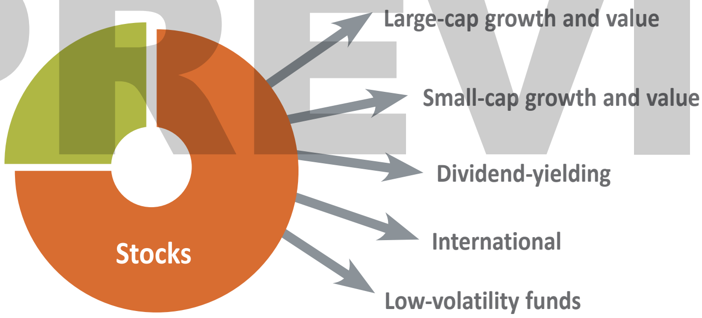
Three fundamental investment tactics are often used to help manage risk and improve the potential performance of your portfolio over the long run: diversification, asset allocation, and dollar-cost averaging.

Diversification

Diversification essentially boils down to not putting all your eggs in one basket. It involves investing in different investment vehicles in an attempt to limit exposure to losses in any one sector of the market.

Different types of investments may react to changing market conditions in different ways. For example, an unfavorable news story may push stock prices lower, while bond values rise, or vice versa. When you divide your money among various asset classes and investment vehicles, gains in one area can help compensate for losses in another, which helps limit your risk of loss. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against loss.

Here are some possible ways to diversify the equity portion of a portfolio.



Investing internationally carries additional risks, such as differences in financial reporting, currency exchange risk, as well as economic and political risk unique to the specific country. Any of these factors could create greater share price volatility.

The return and principal value of stocks, mutual funds, and exchange-traded funds fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. Investment seeking the potential for higher rates of return typically have a higher degree of risk. Dividends are typically not guaranteed and could be changed or eliminated by a company's board of directors.

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Dividend Power

The total return from dividend-paying stocks comes from the dividend received plus any price appreciation.

A Standard & Poor's study found that dividends have represented one-third of the monthly total return for the S&P 500 index since 1926. Dividends are also fairly stable over time. And during periods of market volatility, dividend income can provide some protection when the market is negative.

Source: S&P Dow Jones Indices, 2024

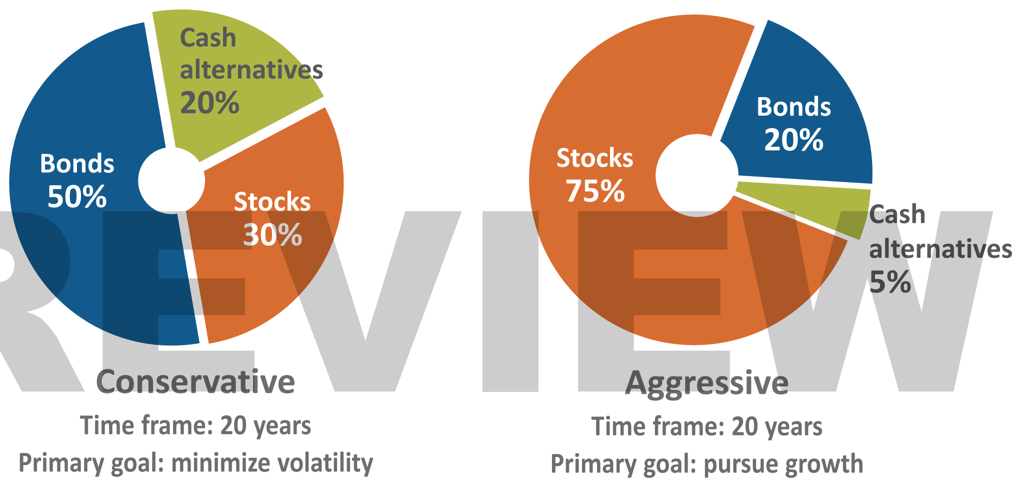
Total return includes capital gains, dividends, interest, and distributions. Past performance is not a guarantee of future results. Dividends are typically not guaranteed and could be changed or eliminated by a company's board of directors.

Asset Allocation

Asset allocation involves strategically dividing your portfolio into different asset categories — typically, stocks, bonds, and cash — to seek the highest potential return based on your risk profile.

Finding an appropriate mix of investments for your goals, time frame, and risk tolerance may require careful calculations and the benefit of professional guidance. Asset allocation does not guarantee a profit or protect against investment loss; it is a method used to help manage investment risk.

Sample Allocations



These hypothetical portfolios are shown for illustrative purposes only. They are examples, not recommendations. Investments offering the potential for higher rates of return also involve a higher degree of risk of principal.

Keep Allocations on Track

Asset balances tend to shift over time, especially during periods of market volatility. A shift toward stocks may lead to an overexposure to risk; a shift toward bonds might make your portfolio too conservative to accomplish your long-term goals.

Changes in your life might also trigger a need to rebalance your assets. For example, many people choose a more conservative asset allocation as they approach retirement.

Reallocating assets may entail buying and selling investments, which could result in a tax liability.

Dollar-Cost Averaging

Dollar-cost averaging involves investing a set amount of money at regular intervals, such as monthly. By investing the same amount consistently over time, you are able to buy more shares of an investment when the price is low and fewer shares when the price is high, which may result in a lower average cost per share, regardless of whether the market is going up or down.

Dollar-cost averaging does not ensure a profit or prevent a loss. Because this strategy involves making periodic investments, you should consider your financial ability and willingness to continue making purchases during periods of low and high price levels.

Dollar-Cost Averaging in Action

	Regular Investment	Market Price/Share	Shares Acquired
Month 1	$600.00	$60.00	10
Month 2	$600.00	$30.00	20
Month 3	$600.00	$40.00	15
Month 4	$600.00	$75.00	8
Month 5	$600.00	$50.00	12
Total	$3,000.00	$255.00	65

Average share price over time period: $51.00 ($255 ÷ 5)
Average cost per share purchased: $46.15 ($3,000 ÷ 65)

This hypothetical example is used for illustrative purposes only. Actual results will vary.

PORTFOLIO ANALYSIS QUIZ

1. Is your portfolio on track to meet your investment goals? ☐ Yes ☐ No
2. Does your portfolio reflect your investment objectives? ☐ Yes ☐ No
3. Do you have a defined investment strategy? ☐ Yes ☐ No
4. Do you know how your specific investments contribute to your overall portfolio? ☐ Yes ☐ No
5. Are you dissatisfied with any of your investments? ☐ Yes ☐ No
6. Are you comfortable with the risks associated with your current investments? ☐ Yes ☐ No
7. Do all of your investments provide you with similar returns? ☐ Yes ☐ No
8. Are you satisfied with your portfolio's total return? ☐ Yes ☐ No
9. Is your portfolio capable of outpacing a high rate of inflation? ☐ Yes ☐ No
10. How many different investments do you have in your portfolio? ____________

The overall objective of your portfolio during a market cycle is to:

- ☐ Protect your principal against loss
- ☐ Keep pace with inflation and protect your purchasing power
- ☐ Achieve a positive rate of return on your principal
- ☐ Perform as well as a recognized market index such as the S&P 500
- ☐ Exceed returns available from relatively risk-free investments such as Treasury bills and certificates of deposit
- ☐ Produce consistent income equal to or exceeding the income you could achieve from money market investments

What Can You Learn from Historical Performance?

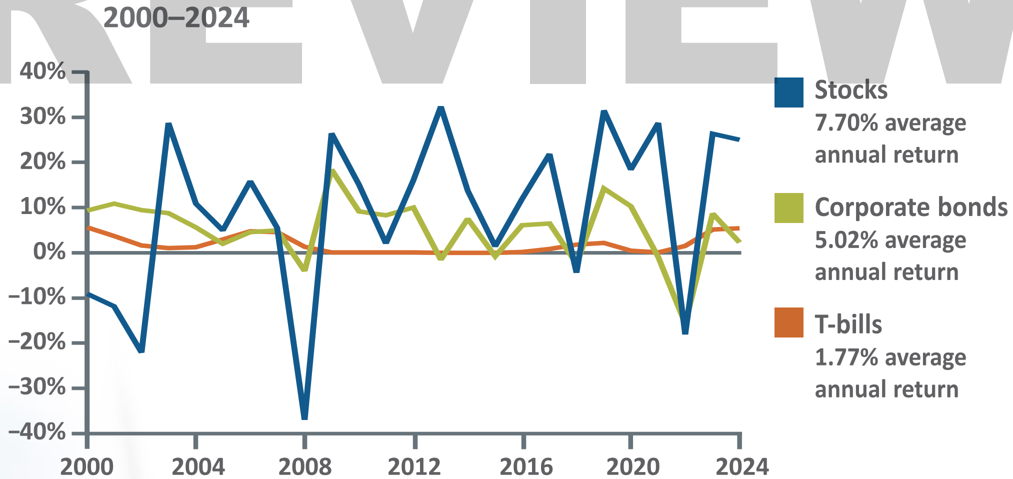
Although past performance tells us nothing about what will happen in the future, and is no guarantee of future results, it can be instructive to see how different types of investments have performed over time — and in different economic conditions and investment climates — when making investment decisions.

This graph shows the volatility of stocks, corporate bonds, and Treasury bills from 2000 through 2024. As you can see, stocks are much more volatile. That's why most experts suggest investing in them only when you have at least five to 10 years before you'll need the money you invest.

On a historical basis, corporate bonds have not performed as well as stocks over time, but they are typically less volatile.

On the other hand, Treasury bills and other cash alternatives almost always produce positive returns, but their potential for growth — and keeping pace with inflation — is much lower.

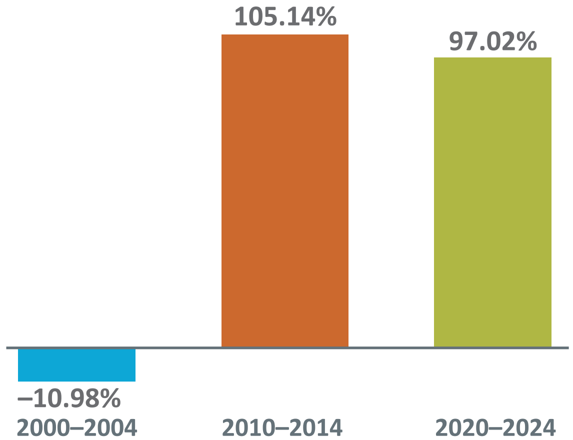
If you are investing for a short-term goal such as college or the purchase of a home, you may want to keep some of your assets in lower-risk and less volatile investments to help protect your principal.



Source: London Stock Exchange Group, 2025, for the period 1/1/2000 to 12/31/2024. Stocks are represented by the S&P 500 Composite Total Return Index which is generally considered to be representative of the U.S. stock market. Corporate bonds are represented by the Citigroup Corporate Bond Composite Index which is generally considered to be representative of the U.S. corporate bond market. Treasury bills are represented by the Citigroup One-Month Treasury Bill Index which are generally considered representative of short-term cash alternatives and are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The returns shown do not reflect taxes, fees, and other expenses typically associated with investing which would reduce the performance if included. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Past performance is no guarantee of future results. Actual results will vary.

Unpredictability of the Financial Markets Over Different Time Periods

Keep in mind that the markets won't perform the same way every year. As you can see over these three five-year time periods, the cumulative returns of the S&P 500 Composite Total Return Index produced vastly different results.



Source: London Stock Exchange Group, 2025, for the periods 1/1/2000 to 12/31/2004; 1/1/2010 to 12/31/2014; and 1/1/2020 to 12/31/2024. Stocks are represented by the S&P 500 Composite Total Return Index which is generally considered to be representative of the U.S. stock market. The returns shown do not reflect taxes, fees, and other expenses typically associated with investing which would reduce the performance shown if included. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

Stocks Can Also Have Negative Returns

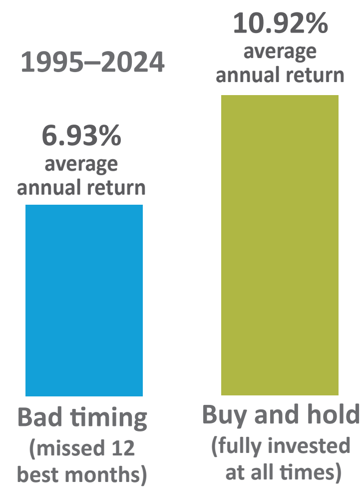
Investing in stocks over shorter time periods could result in a loss and even a negative cumulative return. This occurred during the five-year period from 2000 through 2004, when the cumulative return of the S&P 500 Index was –10.98%.

Source: London Stock Exchange Group, 2025, for the period 1/1/2000 to 12/31/2004

Taking Time Off from Investing in the Stock Market

Trying to time the market by moving in and out of stocks, bonds, and cash is usually a losing game and generally lowers your investment performance. For example, if you had held a stock portfolio that mirrored the S&P 500 for all 360 months during the 30-year period from 1995 through 2024, you would have earned a 10.92% average annual return.

If instead you had tried to time the market and missed the 12 *best* trading months, your average annual return would have dropped to 6.93%. And the more good trading days you missed, the lower your return would have been.



In the long run, consistently predicting the best times to buy and sell is impossible. It's very unlikely that you could have picked the 12 best months when they occurred.

Source: London Stock Exchange Group, 2025, for the period 1/1/1995 to 12/31/2024. Stocks are represented by the S&P 500 Composite Total Return Index which is generally considered to be representative of the U.S. stock market. This hypothetical example is used for illustrative purposes only. The returns shown do not reflect taxes, fees, and other expenses typically associated with investing which would reduce the performance if included. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is no guarantee of future results. Actual results will vary.

Overcoming "Bad" Behavior

In spite of good intentions, some common behavioral tendencies can stand in the way of making sound financial decisions, especially when the markets are volatile. Behavioral scientists have found that emotions can drive hasty decisions, which could harm the long-term performance of your portfolio. Here are just a few examples of behaviors to understand and avoid.

Confirmation bias. People have a natural tendency to come to a conclusion and then gather data to validate that decision, rather than first evaluating data before coming to a conclusion. One way to overcome confirmation bias is to seek outside counsel from someone who can provide a different and unbiased perspective.

Chasing performance. Some investors may be tempted to move a lot of money into asset classes or individual investments that have had the highest recent returns. The problem with this approach is that past performance is not a guarantee of future results, and today's "hot pick" could turn into a loser when conditions shift.

Reacting to headline news. By the time the average investor learns about economic developments or other events that could affect individual investments and the financial markets, it is usually too late to respond effectively. In fact, it's very likely that the news is already reflected in the prices of securities. And following the pack rather than using your own good judgment might land you in trouble.

Loss aversion and panic selling. When investors pull out of investments or the market because they are afraid of losing money, as opposed to evaluating company fundamentals, they often end up selling at the worst possible time and buying again at higher prices after the market recovers. By selling low, they could lock in their losses, and it may cost more to get back into the market later.

Words of Wisdom

"The individual investor should act consistently as an investor and not as a speculator."

— Benjamin Graham

"Investing should be more like watching paint dry or watching grass grow."

— Paul Samuelson

Sources: Thinkexist.com; BrainyQuote.com

Are You an Investor or a Speculator?

Speculators take large risks by trying to anticipate future price movements in hopes of making quick gains. The danger with this approach is that by trying to time the market, they may buy at the top and sell at the bottom, missing some of the best trading days, and their portfolios will likely underperform.

Smart investors take risks, too, but they buy assets that appear to be sound investments and build them into a balanced portfolio that is appropriate for their goals, time frame, and risk tolerance. In other words, they generally maintain a buy-and-hold strategy and invest for the long run.

Managing your own emotions and expectations can be difficult in any market situation. But focusing too much on short-term gains or losses is generally unwise. And abandoning a sound investment strategy in the heat of the moment could be detrimental to the long-term performance of your portfolio.

Can You Do It All Yourself?

Staying on top of the economy and the financial markets year-round requires a great deal of discipline, motivation, and time. If you are serious about working toward your long-term goals and overcoming some of the challenges you face, there are sound reasons to work with a financial professional.

A financial professional can provide education and make suggestions that you might find helpful when weighing specific financial opportunities.

"The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate."

— Benjamin Graham

Source: quotationcollection.com

Why Work with a Financial Professional?

- **Provides financial education**
- **Helps evaluate appropriate strategies**
- **Serves as a knowledgeable sounding board**

Discussing your financial needs and goals with a professional could motivate you to save more and invest wisely.

Although there is no assurance that working with a financial professional will improve investment results, working with someone who focuses on your specific financial objectives can help you consider opportunities that could have a substantial effect on your long-term financial situation.

By helping you balance your goals with current and expected market conditions, a financial professional can help you determine which strategies might be appropriate based on your overall situation, appetite for risk, and time frame. Moreover, a financial professional can provide education, make suggestions that you might find helpful when weighing specific decisions, and serve as a knowledgeable sounding board.

What to Bring

Please bring the following documents to your complimentary, no-obligation consultation:

1. ____

2. ____

3. ____

4. ____

5. ____

Your consultation is scheduled for:

____

Date Time