Periods of stock market volatility can often cause doubts about your long-term investment strategy. History has shown that bear markets are natural part of investing. A bear market is defined as a widespread decline in asset prices of at least 20% from recent highs. While declines historically have varied in intensity and frequency, they have occurred somewhat regularly. Although past results do not guarantee future results, reassurance can be found in the fact that markets have always recovered from a major downturn. Over the past 80 years, it took markets a median of 18 months to recover from drawdowns of 15% or more.

While we can't predict the course of market volatility, we can control how we choose to react to it. A well-diversified investment portfolio with a long-term strategic asset allocation centered around one's unique investment objective, time horizon, and risk tolerance is already set up to weather a full market cycle, including a downturn. Having an investment plan in place is the key to long-term financial success. While market volatility is outside of our control, we can focus our attention on the following things that are *within* our control:

1. STAY THE COURSE

As tempting as it might be, don't look! Checking your investment balance every day may add to your anxiety and take away the focus from your long-term investment goals. Remember that fear can cloud rational judgment of the situation. Resist the urge to try to "time" the market by adjusting your portfolio based on current market conditions alone. Investors who have exited the market could miss out on future gains when the market recovers which can greatly impair long-term financial goals. The stock market tends to *anticipate* recoveries and rally *before* bear markets and recessions come to an end. Take the time to assess your time horizon (how long you can keep money invested) and risk tolerance. If appropriate, consider staying right where you are. ***Tune out the noise***- It is OK to turn off financial news. Do not let the day-to-day market noise tempt you to veer off course from your long-term goals and strategic asset allocation.

2. PLAY DEFENSE

Evaluate Your Cash Flow Needs- If necessary, increase your emergency fund by moving one to two years' worth of spending needs into money market funds, US Treasury bills, and other investments with high liquidity and short maturities. This will give you peace of mind that your immediate needs are taken care of while you keep the rest of your portfolio invested in alignment with your long-term goals.

De-risk- Move your equity allocation to the low end of your target strategic asset allocation range while simultaneously moving your fixed income allocation to the high end of its target range.

- ✓ As you move/increase fixed income, allocate into money market funds, stable value, and other high quality instruments with low risk and short maturities. Within your fixed income allocation, you can reduce risk by reallocating some high yield (below investment grade) investments into more stable investment grade bonds.

- ✓ Within your remaining equity allocation, consider reallocating some of it into high quality, blue chip, dividend paying funds/stocks or funds positioned to benefit from services and products addressing current challenges (diversified technology, health care, communication services investments). There are active investment managers with proven track records of success that provide downside protection and high quality, fundamental bottom up stock picking.

3. PLAY OFFENSE

Upgrade and Increase Equity Using Dollar-Cost Averaging- As prices decline, stocks and stock funds go on sale! Continue to make contributions to your account and buy equities investments. Upgrade your account to companies/funds that are trading at more attractive valuations or add to your existing positions. Over the long run, your cost will "average down," leaving you with a better overall entry price for your shares. Buying when investments are less expensive and selling when they are more expensive takes discipline, but will boost long-term wealth over time.

Confirm Your Long-Term Goals and Asset Allocation- Assess if your time horizon or risk tolerance has changed. If you are someone who loses sleep during a downturn, you may want to reevaluate your risk tolerance and make adjustments to your strategic asset allocation. It is important to consider your goals, time horizon and risk tolerance. If you are investing for the long-term (over 5 years), the combination of time invested in the market, consistent contributions, and maintaining a long-term strategic asset allocation works. However, if you are investing for a short time frame four years or less) , short-term volatility becomes your enemy. Markets can remain irrational longer than you can remain solvent. If you expect to need the money within four years, you should not be invested aggressively, unless you can afford to lose the money and still meet your goals.

- ✓ For *shorter-term goals*, a sound approach is to invest in a heavier mix of less volatile investments, such as money market funds and high quality short-term bond funds.

- ✓ For *intermediate-term goals*, a diversified portfolio including money market, bonds, and some stock funds can help balance your risk and return potential. The closer you are to your goal, risk should be reduced accordingly.

- ✓ For *longer-term goals*, you have the capacity to weather a down market; with time on your side, you can afford to be invested more aggressively.

4. **CARES Act and ACCESSING RETIREMENT ASSETS**

While the CARES Act allows participants who were directly impacted by COVID-19 to take an early distribution or a loan from their defined contribution plan, plan participants are ***not*** encouraged to do so. It is more advantageous to your long-term investment goals to not take a distribution or loan unless it is an absolute emergency and there is no other option. If a distribution or loan is necessary, plan participants are encouraged to replenish the money back into their accounts when financial conditions improve. Loans are required to be repaid. If an early distribution is repaid within three years, taxes do not have to be paid on it.

Sources: Pensions & Investments, American Funds, Vanguard, T. Rowe Price, and Investopedia.