Quick Changes = Quicksand?

If you like excitement, then you might like the idea of trying to build up your retirement portfolio by constantly moving investments around. When you see that one investment's return has dropped, you quickly jump out of that investment and into one that you think is poised for a big upswing.

Unfortunately, predicting when prices will rise and fall and then attempting to buy low and sell high is extremely difficult. Instead of putting your retirement portfolio on solid ground, leaping in and out of investments in hopes of timing the market could cause your portfolio to sink into financial quicksand.

Recognizing High Ground and Sinkholes

It's not easy to predict exactly when an investment is at a high or low point. In fact, you won't know for sure until sometime later. You could end up selling an investment that you assumed had maxed out only to have it soar even higher. Or, you could buy an investment that you thought was on the upswing only to see its price suddenly drop like a stone.

Getting Lost

The market can move very quickly. If you sell an investment because its share price has dipped but then it bounces right back, you'll probably miss out on the recovery. Even if you try to get back in right away, you may be too late to take advantage of potentially significant gains. Investing won't seem very thrilling if the value of your retirement savings sinks because of an impulsive move.

Look Before You Leap

Instead of quickly moving in and out of investments, consider a more measured approach. Look carefully at an investment's long-term performance record before making a move. Unless retirement is right around the corner, your portfolio probably has time to recover from any short-term investment losses. However, if an investment has a history of performance problems or no longer fits with your investment strategy, then it's time to consider making a change.

A well-coordinated investment strategy that is based on your personal risk tolerance and investment time frame will help keep your retirement portfolio on solid ground.

"Leap" Years

In the past, the market has eventually recovered after every downturn.* Here are some examples of the market (as measured by the S&P 500 Index**) having low or negative returns one year and then "leaping" ahead the next year.

1981	1982	1990	1991	1994	1995	2002***	2003	2008	2009
-4.9%	21.4%	-3.2%	30.6%	1.3%	37.4%	-22.1%	28.7%	-36.99%	26.45%

S&P 500 Index Annual Total Returns

* Past performance is no guarantee of future results.

** The S&P 500 Index is an unmanaged index of the stocks of 500 major U.S. corporations.

*** The S&P 500 Index also experienced losses in 2000 and 2001.

Source: NPI