Look at the Big Picture

When the stock market is especially volatile, you may find yourself focusing only on recent events. Large drops in the market are unnerving, and you may have considered moving out of stocks into less risky investments. Or maybe you've even thought about cutting back on the amount you're saving for retirement. Before you make any decisions, take time to look at the big picture.

The Long View

The economy and stock market tend to be cyclical. Past downturns often have been followed by periods of growth. Investors who didn't move their money out of stocks during previous lows had the opportunity to see their investments benefit from market increases. For example, from 1994 through 2013, the stock market* suffered four years of losses ranging from -9.11% (2000) to -36.99% (2008). Yet $1,000 invested for the entire period might have grown to $5,703.** If retirement is still a long way off, you probably have time to ride out market downturns.

Put Losses in Perspective

Paper losses are not real losses. When a fund's or portfolio's share price drops, it's only a loss on paper. It doesn't become a real loss until you actually sell the investment and move your money elsewhere. If you stick with the investment and it later rebounds, the paper loss may be erased — and you may even develop a "paper gain."

See Your Opportunities

There is a bright side to a downturn: When prices are down, your contributions can buy more shares. If stocks rebound, you'll then be positioned to benefit from the recovery. But, if you move your money out of stock funds, you might miss out on future gains.

Staying focused on your future is hard when the markets are jumpy. But keeping your eye on your long-term goals, maintaining an appropriate asset allocation, and continuing to contribute as much as possible to your plan will help you prepare for your retirement years.

** As measured by the S&P 500, an unmanaged index of the stocks of 500 major corporations.*

*** Based on a hypothetical investment earning the same annual returns as the S&P 500, which carries no expenses. You cannot invest directly in an index.*