



MoneyTalks

Wisconsin Deferred Compensation Program

Keep Your Cool

Try not to invest emotionally

It's OK to get emotional watching a weepy movie, but you shouldn't get emotional about the money you've invested toward your retirement. No matter what happens in the financial markets, try not to let two strong emotions—fear and greed—deter you from your long-term strategy. Instead, try to stay calm, and make investment decisions based on reason and facts.

Stay Focused Through Market Swings

It might seem logical to give in to fear and sell when the stock market is falling. But you may be surprised to learn that the opposite reaction—i.e., gritting your teeth and staying invested—tends to produce better results. Think of it this way: The market may be falling now, but it's unlikely to fall forever. In fact, history shows that since 1942 the market has racked up more good years than bad.¹ If you're not invested when the turnaround comes, you may miss out on potential gains.

Don't Chase Trends

Another emotion that often causes investors to make mistakes is greed. What's wrong with succumbing to a little greed if the stock market is soaring? Well, not only do you risk paying too much for your investments, but you may choose something that is only hot for the moment and about to cool down, resulting in an investment loss for you.

Let Reason Be Your Guide

So, how do you invest with your head and not your heart?

- **Have a plan.** Divide your assets according to your need for growth and the degree of risk with which you're comfortable. (For guidelines, see "Keep Going, Keep Growing," page 3.) Then stick with that strategy.
- **Be realistic.** Past performance is never a guarantee or prediction of future results; however, from January 1, 1954, through December 31, 2007, stocks (as measured by the S&P 500^{®2}) returned an average of 10.4% a year.¹
- **Overcome fear.** Don't let fear make you forget that, historically, the occasional bad year has usually been followed by several good years.
- **Resist greed.** Don't let greed blind you to the fact that years when the market made great gains have usually been followed by years when it hardly gained at all or even fell.¹ If you remain focused on the long term, you can build a portfolio that may potentially withstand the market's inevitable swings. 🌻

¹ Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.
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