

# ▶ 7 Principles of Investing in a Volatile Market.

**In volatile markets, it's common to feel uneasy about your investments.** It's only natural. But rest assured, market volatility is completely normal and is to be expected. In fact, whether you invest in a lifecycle fund, or manage your own investments, the current market conditions may actually work to your advantage.

## 1. Clarify your investment strategy.

Living with market volatility is a lot easier when you have a firm investment strategy in place. To create your strategy, you'll need to understand several key factors, including:

- Your time horizon
- Your goals
- Your tolerance for risk

Your time horizon is determined by counting the number of years left until you plan to retire. Your primary goal is to accumulate enough savings to create the income you need in retirement. And your tolerance for risk reflects your broader financial situation—your savings, your income, your debt—and how you feel about it all. Looking at the whole picture will help you clarify if your strategy should be aggressive, conservative, or somewhere in between.

## 2. Match investments to your comfort level.

As a legendary mutual fund manager once put it, "The key to stock investing isn't the brain. It's the stomach." Never is this statement more true than in a volatile marketplace. Even if your time horizon is long enough

to warrant an aggressive-growth portfolio, you need to make sure you're comfortable with the short-term ups and downs you'll encounter. If watching your plan balance fluctuate is too nerve-racking for you, think about a portfolio that feels right and set realistic expectations.

## 3. Diversify, diversify, diversify.

One way to help protect yourself from market downturns is to own various types of investments. First, consider spreading your investments across the three asset classes—stocks, bonds, and short-term investments. Then, to help offset risk even more, diversify the investments within each asset class. Keep in mind, however, that diversification doesn't ensure a profit or guarantee against loss.

## 4. Invest for the long term.

To help calm the jitters caused by short-term fluctuations, it's best to focus on long-term trends and your long-term goals. Market volatility decreases over time. As the chart on the next page shows, dramatic short-term changes in value can be positive or negative. And historically, time has reduced the risk of holding a diversified stock portfolio.

## ACTION PLAN

- Develop and maintain a long-term investment strategy, or
- Consider taking a hands-off approach and invest in a lifecycle fund

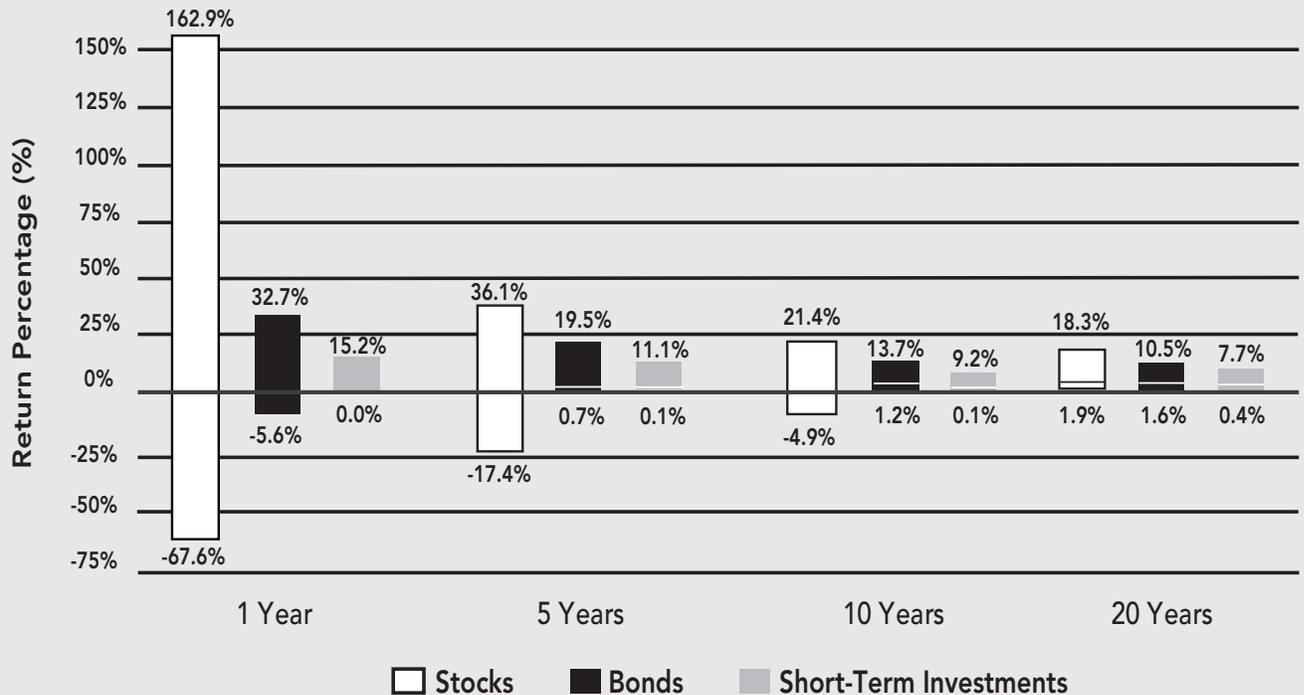


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## UNDERSTAND YOUR RISK TOLERANCE: VOLATILITY AND TIME

Your goals and time horizon can significantly affect your risk tolerance and investment strategy

Return Highs and Lows, January 1926 – December 2007



This chart was prepared by Strategic Advisers, Inc., a Fidelity Investments company, using data provided by Ibbotson Associates, Inc., as of 12/31/07. This chart is for illustrative purposes only and is not indicative of any investment. Stocks are represented by the Standard & Poor's 500® Index, which is an unmanaged group of securities considered to be representative of the stock market in general. Intermediate-Term Bonds are represented by the U.S. Intermediate Term Government Bond Index, and Short-Term Investments by the 30-day U.S. Treasury bill. Stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate. You cannot invest directly in an index. Asset allocation does not ensure a profit or guarantee against loss.

Past performance is no guarantee of future results, and results may vary based on market conditions and an individual's particular asset allocation and security selection.

### 5. Don't try to time the market.

No one can consistently predict the market, not even the experts. Yet many investors think they can guess what will happen, based on hunches or rumors. Unless you know precisely when to buy or sell, you can, and probably will, miss the market. That can really cost you. Most of the market's gains occur in just a few strong, but unpredictable, trading days here and there. To benefit from the market's long-term performance, you need to be in the market on those days. This means you have to invest for the long run and stick with it throughout the market's ups and downs.

### 6. Do well "on average."

By investing regularly over months, years, and decades, you can actually benefit from a volatile market. Through a time-proven investment technique called dollar cost averaging, you simply put a set amount in each of your plan investments every pay period, regardless of how the market's doing. Over the years, your money buys more units of each investment option when prices are low, and fewer when the prices are high. As a result, the average price per share of your investments may be lower than if you invested all your money at once. (See the table to the right.) More importantly, you avoid the temptation of trying to time the market.

### 7. Consider a hands-off approach.

To help ease the pressure of managing investments in a volatile market, some investors prefer to take a "hands-off" approach by investing in lifecycle funds. Lifecycle funds offer management assistance by providing investments that represent various asset classes and investment styles in a single fund based on a single retirement date. The investments are then rebalanced on an ongoing basis to become more conservative as the fund approaches its target retirement date and beyond. The diversification and asset allocation of lifecycle funds can help reduce volatility and risk, although they can't ensure a profit or guarantee against a loss.

#### Dollar cost averaging

Investing a fixed amount at regular intervals is one way to deal with the inevitable dips and gains in the stock market. As this table shows, dollar cost averaging can result in a better average share price than trying to time your purchase. For more on this strategy, see Principle #6.

	share price	investment	shares purchased
January	\$10	\$100	10
February	\$7	\$100	14.3
March	\$6	\$100	16.7
April	\$8	\$100	12.5
May	\$9	\$100	11.1
<b>Total</b>	<b>\$8 average</b>	<b>\$500</b>	<b>64.6</b>

Dollar cost averaging does not ensure a profit or guarantee against loss in declining markets. For the strategy to be effective, you must continue to purchase shares both in market ups and market downs.

#### HERE'S HELP

Right now is the perfect time to evaluate how you're invested. For the information, tools, and support you need to create and manage your investment strategy:

- Call your plan's toll-free number
- Visit Fidelity NetBenefits®

**Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.**

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

It is your responsibility to select and monitor your investments to make sure they continue to reflect your financial situation, risk tolerance, and time horizon. Most investment professionals suggest that you reexamine your investment strategy at least annually or when your situation changes. In addition, you may want to consult an investment advisor regarding your specific situation.

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