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PERSI's Choice 401(k) Plan Record Keeper Responds to Market Volatility

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In light of the recent fluctuations and overall drop in the U.S. stock market, PERSI's third-party record keeper for the Choice 401(k) Plan, Empower Retirement has issued the following talking points for your information:

The market has dropped quite a bit recently. What happens if it crashes? Is this another 2008?
It's natural to have swings in market cycles -- both up and down. However, history shows that over the longer term, our economy and stock markets have always recovered – even if some recoveries take longer than others. It's important to keep in mind that your retirement plan is based on your needs and you should consult with your financial adviser who can help you understand how to achieve your financial goals over the longer term.

Why is the stock market going down? / I heard it's because of China. What's happing there?
According to experts, the world oil glut, volatility in the Chinese markets, debt issues in Greece and speculation surrounding Federal Reserve action on interest rates are all in play.

Isn't this drop worse than normal?
Over the past 25 years, the market's ***average swing*** each year from its high point to its low point is 14%. So far this year, the difference between the market's high and its low is 12%.

What should I do?
Retirement investments are intended to be long-term investments and short-term market volatility can be expected but shouldn't necessarily be motivation for completely changing your own investing strategies. The most effective way to manage risk over time is to maximize your contributions in a diversified portfolio that is rebalanced through up-and-down markets.

Wouldn't it be better if I got out of market now then got back in later?
It may be tempting to think that if you exit the market, you'll avoid losses and can re-enter the market at the right time. There's a lot of research that shows that trying to time the market is very difficult to successfully execute.

Should I move my retirement plan assets to a safe investment (SVF or fixed fund)?
The decision to allocate and reallocate retirement funds should be taken seriously. It's not clear what the effects will be over the longer term. But you should assess your own situation and make decisions accordingly. It's always a good idea to assess your risk tolerance and subsequent investment choices and make decisions for which you are most comfortable. You should consider your investment horizon timeline.

(more)

Should I shift my investments to fixed accounts / stable value funds?
Your retirement plan is based on a long-term savings strategy. While it might be tempting to shift investments to fixed accounts / stable value funds, the most effective way to manage risk over time is to maximize your contributions in a diversified portfolio that is rebalanced through up-and-down markets. It's important to keep in mind that your retirement plan is based on your needs and you should consult with your financial adviser who can help you understand how to achieve your financial goals over the longer term.

Should I withdraw my money and put it in gold / a bank account / etc.?
Your retirement plan is based on a long-term savings strategy. While it might be tempting to withdraw your money and put it in gold / a bank account / etc., the most effective way to manage risk over time may be to maximize your contributions in a diversified portfolio that is rebalanced through up-and-down markets. It's important to keep in mind that your retirement plan is based on your needs and you should consult with your financial adviser who can help you understand how to achieve your financial goals over the longer term.

I'm invested in the Stable Value Fund. How will the market drop affect my investment?
Stable value funds are insurance products since a bank or insurance company guarantees the return of principal and interest. These types of funds invest in high-quality fixed-income securities with maturities averaging about three to five years, which is how they can generate their yields. These types of funds are subject to lower levels of volatility than other types of investments such as equities, bonds, and commodities. However, the impact of the recent market drop cannot be predicted with certainty and no assurance can be made that this type of fund will generate the same level of long-term yields.

Should I invest in a Stable Value Fund?
Your retirement plan is based on a long-term savings strategy. While it might be tempting to withdraw your money and put it in such a fund, the most effective way to manage risk over time is to maximize your contributions in a diversified portfolio that is rebalanced through up-and-down markets. It's important to keep in mind that your retirement plan is based on your needs and you should consult with your financial adviser who can help you understand how to achieve your financial goals over the longer term.

KEEP YOUR GOALS IN MIND

- The purpose of a retirement plan is to ***replace income in retirement***. If you still think about your retirement plan in terms of your account balance, you may be more concerned about market swings.
- Market declines have been a natural part of the economic cycle. Think about the long term.
- Your adviser knows how to build a retirement plan; you ought to have confidence in it.

CHECK IN WITH YOUR ADVISER

- If you're concerned, you might want to talk to your adviser. See what he or she is thinking about the current market environment. Ask questions and discuss any concerns you have.
- If the current market environment shows you may not have the risk tolerance you thought you had, then, by all means, work with your adviser to make a change.

**Note: Empower Retirement can be reached by phone at 1-866-437-3774.*

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