

Staying the Course With Your 401(k) Through Market Volatility

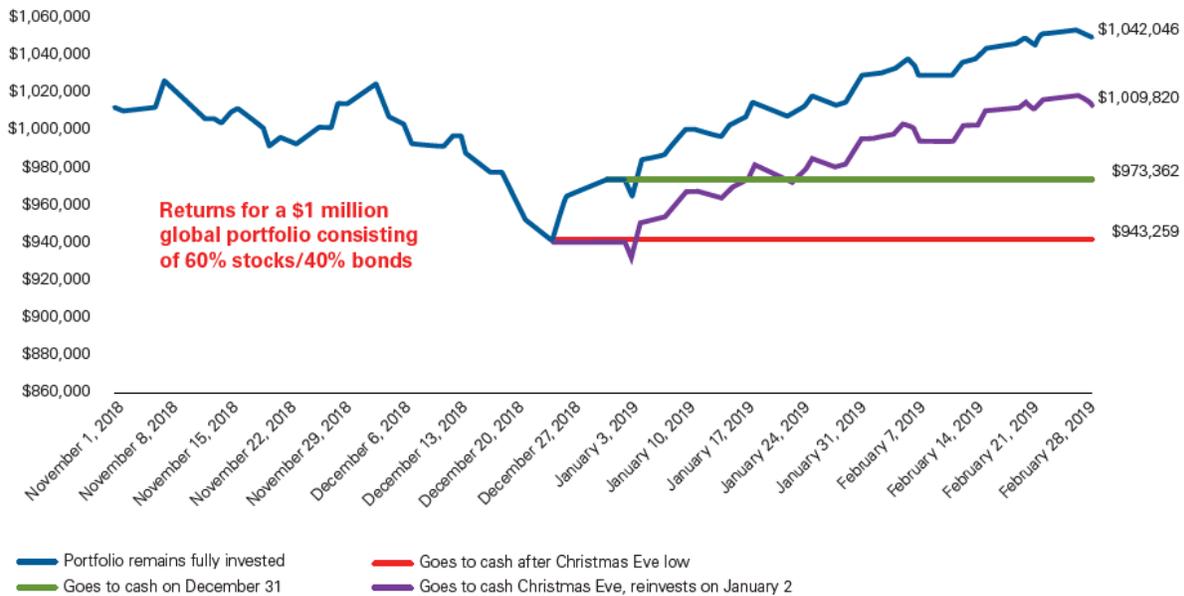
With all the recent stock market volatility due to the emergence of the Covid 19 Coronavirus, it may be hard to look at your 401(k) account balance without feeling a pit in your stomach. In a short period of time, the Covid-19 virus has changed a lot of things for all of us, and our 401(k) balances are no exception.

You're not alone if you experience concern when looking at your retirement account balance. For many people their 401(k)s are the largest financial accounts they own. When we review our accounts today it is a natural reaction to want to preserve the balances we see from any further losses. But taking action now by changing your investment allocation to a position with less equity exposure **may derail your long-term savings potential**. Here's an example why:

In December 2018, the stock market experienced a downturn that erased all the gains it had achieved for the year. As illustrated in the chart below, trying to time the market by moving into cash during a downturn can effect how quickly your account recovers. In the span of four months, the account balances of the participants who did not make any investment changes fared far better than those participants who moved into cash.

Staying the course can pay off; abandoning course can be costly

The global stock market drop in late 2018 offered a lesson in investor behavior



Sources: Vanguard calculations, based on data from FactSet, as of February 28, 2019.

Notes: U.S. stocks represented by CRSP US Total Market Index. U.S. bonds represented by Bloomberg Barclays U.S. Aggregate Float Adjusted Index. Global stocks represented by FTSE Global All Cap ex US Index. Global bonds represented by Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index. The performance of an index is not an exact representation of any particular investment, as you cannot directly invest in an index.

We should also take a moment to reflect on how far the U.S. stock market has come over the past 12 years. As illustrated in the chart below, overall the markets have experienced unprecedented growth. 401(k) accounts holding equity funds have profited from this growth.



Although no one has a crystal ball on the impact this virus will have on our economy or when financial markets will settle down and eventually recover, in the long run, ***staying the course can pay off.***

If you have questions or concerns regarding your 401(k) account, Plimoth Investment Advisors is here to help. Please feel free to email or call us at dchiappinelli@pliadv.com or 508 742-4722.