



New England Pension Plan Systems, LLC

Three Reasons to Stay Invested

When the bad news seems to come in waves, it can be tempting to look elsewhere---anywhere---for a safe place to park your money. Here are three reasons that cash isn't necessarily king.



1. Cash Is For Short-Term Goals

Moving to cash doesn't eliminate risk. It may shelter you from a fluctuating stock market, but it's almost guaranteed to leave you exposed to a risk that's even more frightening: outliving your money.

There's nothing wrong with holding cash if you plan to use it in the next few years. But if you're saving for retirement or other long-term goals, moving to cash does little to help you keep pace with rising prices over time. This can make a big dent in your lifestyle.

Even worse, it robs your portfolio of the growth potential you need to build your wealth for the future. When you're building your wealth to last, stocks have historically been the engines of growth.

Recent events have reminded us all of the risks of the market's ups and downs, but a comprehensive investment strategy can provide cushion against a variety of risks.

Cash tends to buy less over time.

A shopping bag of goods that fed four people in 1980 will feed only one 30 years from now.

In 1980 you got...

1 dozen eggs
1 loaf of bread (20 Slices)
4 cups of coffee

In 30 years, you'll get

2 eggs
3 slices of bread
1 cup of coffee

2. Don't Guess...Invest

Stock markets have their ups and downs: self-offs seem to pop up out of nowhere and so do recoveries. They tend to happen in quick surges that few people see coming. From 1970 through 2007, most stock returns occurred during just 48 of the 456 months.

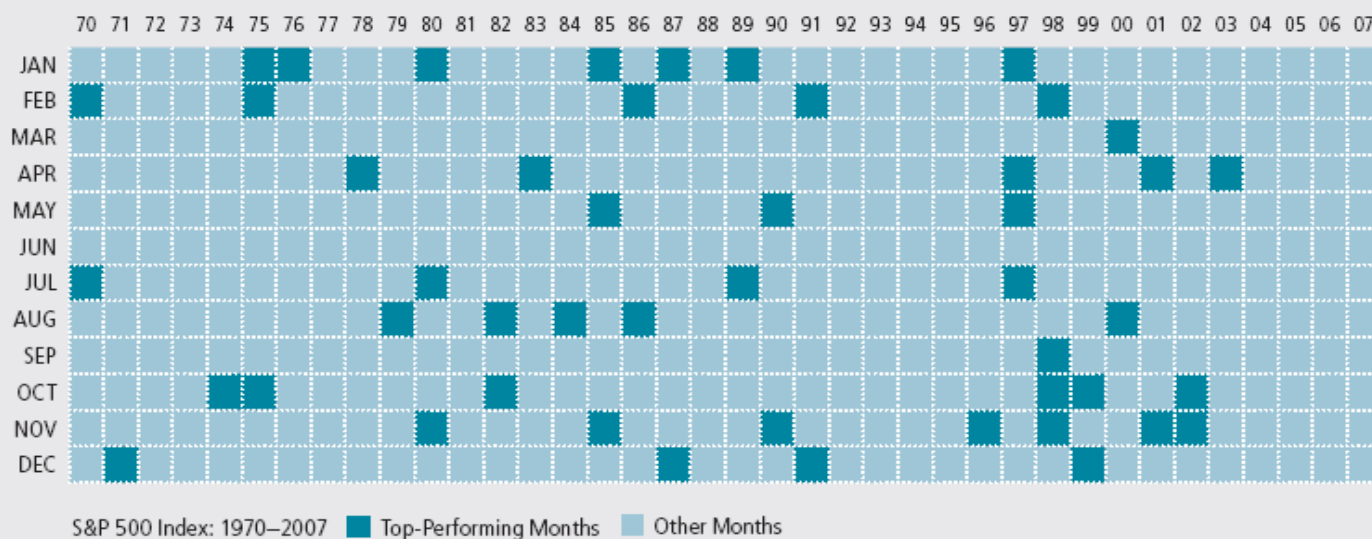
If you stayed fully invested in stocks throughout that period, your average annualized return would have been 11.1%. If you stayed out of the market for only the 48 best months, your return would have been 1.2%

This would make a big difference in your ability to build wealth. If you invested \$10,000 in 1970 but missed the best months, your investment would have grown to only \$15,900 by 2007. If you stayed invested throughout, it would have grown to \$540,000!

Now, it's unlikely that you would have missed every one of the best months, but it's unlikely that you'd have been able to avoid all of the bad ones, either. Trying to zip in and out of markets, avoiding losses and returning in time to ride the wave simply doesn't work---It's better To stay invested as you pursue your long-term financial goals.

Think you can pick the months when the market will rally? Think again.

There doesn't seem to be any pattern to the 48 top-performing months dating back to 1970.



Past performance does not guarantee future results.

Through December 31, 2007

Individuals cannot invest directly in an index.

The S&P 500 Index is an unmanaged index of 500 U.S. companies and is a common measure of the performance of the overall U.S. stock market.

Source: Lipper Inc., Standard & Poor's and AllianceBernstein



3. Historically Markets Bounce Back

We can learn an important lesson from past bear markets: patience is a virtue.

Weak markets can be extremely challenging, but they often set up rapid recoveries. Investors who sell during periods of market stress feel the pain of loss twice: first, they lock in their losses; then, they miss out on the market's eventual recovery.

Holding on to your investments has traditionally been a better long-term strategy. Investing even more money takes courage, but it's been the most rewarding strategy historically.

In tough times, recommit to your long-term approach. Throughout history, the most effective strategy is to buy low and sell high – not the other way around.

Since you can't be sure exactly when the market will reach an extreme – either high or low – avoid the guesswork by staying invested. And during these times, it's important to continue to contribute to your retirement plan.

Investors who held on through the bottom of past shocks were rewarded.

S&P 500 Index Cumulative Returns from Bottom of Market

Internet Bubble

(Market Bottom: March 2003)



Oil Crisis

(Market Bottom: October 1974)



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Market bottom dates: Oil crisis October 3, 1974, Internet Bubble March 11, 2003. Oil crisis data shown from October 1, 1974.

Sources: Standard & Poor's and AllianceBernstein

