

A Word from Diversified

Partners in Retirement Solutions

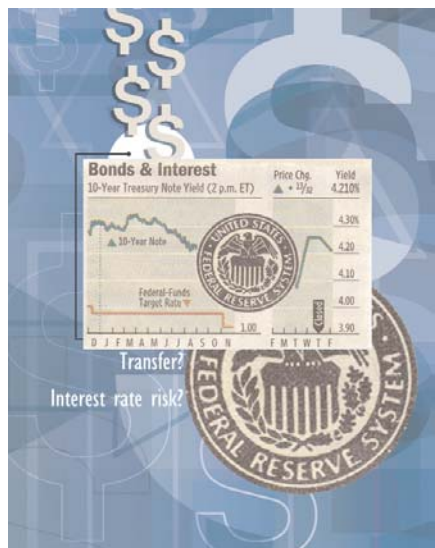
Bonds: Look Before You Leap

Consider these points before you shift assets.

As we continue to wade through this extended period of stock market volatility, people are asking themselves: "How long can I take this?" Even investors who have managed to keep a long-term perspective—regularly rebalancing and maintaining an allocation to stocks—are questioning whether they shouldn't shift all of their assets into bonds.

If you see yourself in this situation, consider the following before throwing in the towel on stocks and moving completely into bonds:

- ◆ Bond prices move inversely to interest rates. This is sometimes referred to as the "interest rate risk" inherent in bond investing. Bond prices have risen handsomely as interest rates have declined to historical lows. However, it is likely that interest rates will rise as the economy improves, and bond prices will fall as a result.
- ◆ Having fallen this far, stock prices are actually *more* attractive today than they were three years ago. Conversely, bonds, which have posted healthy returns recently, are actually *less* attractive today.



◆ While no one knows for sure which way the markets will move, shifting out of stocks and into bonds now may be equivalent to "buying high-selling low". Investors can feel "whipsawed"—first by a decline in the stock market, then by a decline in the bond market.

◆ Political and economic uncertainties continue. Stable value funds are designed to deliver relatively steady returns, and money market funds serve to minimize fluctuations in value over time. These investment funds might be options to consider if you are distressed by the prospect of more stock and bond market volatility.

As always, Diversified recommends that investors stay focused on the long-term, allocating their accounts among a variety of asset classes and investment styles. As trying as these volatile times have been, diversification remains a prudent strategy for long-term retirement investing.



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