Understanding the stock market and investing

What moves the market and what it means for you

Why do stock market values go up and down?

The prices of individual stocks—and the values of the stock markets—change daily. They can go up or down by a little or a lot. Individual stocks, groups of stocks, and sometimes the overall stock market can gain or lose value because of several factors, including:

- **Company performance**
- **Market sentiment**
- **Interest rates**
- **Market cycles**
- **Geopolitical developments**

When the stock market value goes down by 20% or more, it's called a bear market. When the value goes up by 20% or more, it's called a bull market.

How do you manage your retirement investments during a bear market?

Bear markets don't last forever, but they do happen from time to time. If you sell when prices decline, you may hurt your ability to make money in the long term. Consider sticking to your investment strategy and holding on to the investments you have, even in a bear market.

It's important to plan ahead for a potential bear market. You could consider making sure your investments are diversified or keeping enough to cover a couple years of expenses in cash or very conservative investments.

Watch the fourth episode of our *Understanding the stock market and investing* series.

SCAN ME

When the price is high, you can buy fewer units; when the price is low, you can buy more units.

Both of these strategies can help keep you from selling a stock market investment when its value is low. Generally, the more time you have until you need your money, such as for retirement, the less reason there may be to react to a downturn today.

Keep contributing to your retirement plan

When you contribute regularly to your 401(k), you use a strategy called dollar cost averaging. This means that, by investing the same amount regularly, your money can buy more shares when stock prices are low and fewer when they're high.

Let's say you invest $250 every month, buying the same investment no matter its price.

Month	Price per unit	Amount invested	Units purchased
January	$10	$250	25.0
February	$8	$250	31.3
March	$4	$250	62.5
April	$7	$250	35.7
May	$11	$250	22.7
June	$12	$250	20.8
July	$12	$250	20.8
August	$9	$250	27.8
September	$5	$250	50.0
October	$6	$250	41.7
November	$10	$250	25.0
December	$11	$250	22.7
	Average unit price $8.75	**Total invested** $3,000	**Number of units purchased** 386.0 **Average price per unit purchased** $3,000/386 = $7.77

Example for illustrative purposes only and not may not be reflective of your situation. Dollar cost averaging does not guarantee a profit or eliminate the risk of a loss. Systematic investing involves continuous investment in securities, regardless of price-level fluctuation. Participants should consider their resources to continue the strategy over the long term.

At the end of the year, you've purchased 386 units, and each unit had an average monthly price of $8.75. But your *actual* average cost came out to only $7.77 because you bought more shares at lower prices and less at higher prices. At the end of the year, your $3,000 investment is worth $4,246 based on these hypothetical price changes.

That's the potential benefit of staying invested and taking advantage of dollar cost averaging.

Month	Investment price
January	$10
February	$8
March	$4
April	$7
May	$11
June	$12
July	$12
August	$9
September	$5
October	$6
November	$10
December	$11

$8.75 Average

For illustrative purposes only. May not be reflective of your particular situation.

Be prepared for changes in the market

Learning about investing and the stock market can be the first step. Prepare for the market changes by planning ahead—consider keeping a well-diversified portfolio and taking advantage of dollar cost averaging by staying in your retirement plan. A well-thought-out strategy can help you weather the ups and downs of the market.

For complete information about a particular investment option, please read the fund prospectus. You should carefully consider the objectives, risks, charges, and expenses before investing. The prospectus contains this and other important information about the investment option and investment company. Please read the prospectus carefully before you invest or send money. Prospectuses may only be available in English.

Diversification does not guarantee a profit or eliminate the risk of a loss.

There is no guarantee that any investment strategy will achieve its objectives.

Past performance does not guarantee future results.

It is your responsibility to select and monitor your investment options to meet your retirement objectives. You should review your investment strategy at least annually. You may also want to consult your own independent investment or tax advisor or legal counsel.

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