

In and Out of the Market

Dora, a 45 year old hypothetical worker, had been diligently contributing the maximum allowable amount to her company's retirement savings plan. Heavy losses led her to stop. She put all contributions on hold and shifted her account balance into cash equivalents. The market turned around and her account balance is \$50,000, so she's thinking about resuming her contributions ... but she still has her doubts. What Dora doesn't realize is that the longer she hesitates, the more money she may lose.

Market timers lose out

Studies show that investors who buy and hold generally outperform those who shift in and out of investments in anticipation of different market conditions — their attempt to buy low and sell high. Take Dora: She opted out of contributing to her company-sponsored retirement plan because the market was declining. Rising stock prices have caused her to think about shifting her investments back into stock funds. She already "sold" her stock investments cheap; now she's on the verge of "buying" when they're more costly. That's buying high after selling low — not the ideal scenario for any investor.

What a difference the years can make

Dora has the potential to accumulate a significant sum of money by the age of 65 if she resumes investing now versus how much she'd accumulate if she waits five more years.

The bottom line? It may pay to stick to your asset allocation strategy, regardless of market ups and downs. Dora can't turn back time, but she can kick-start her savings right away.

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