

RETIREMENT BASICS

Keeping Calm and Invested During Declines Can Help Lead to Better Outcomes



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HYPOTHETICAL CASE STUDY: AGE 35

Bear markets can be unsettling or even frightening. While many participants may be tempted to stop contributing to their retirement plan or to move their assets to cash, those decisions could have serious long-term implications for their retirement savings.

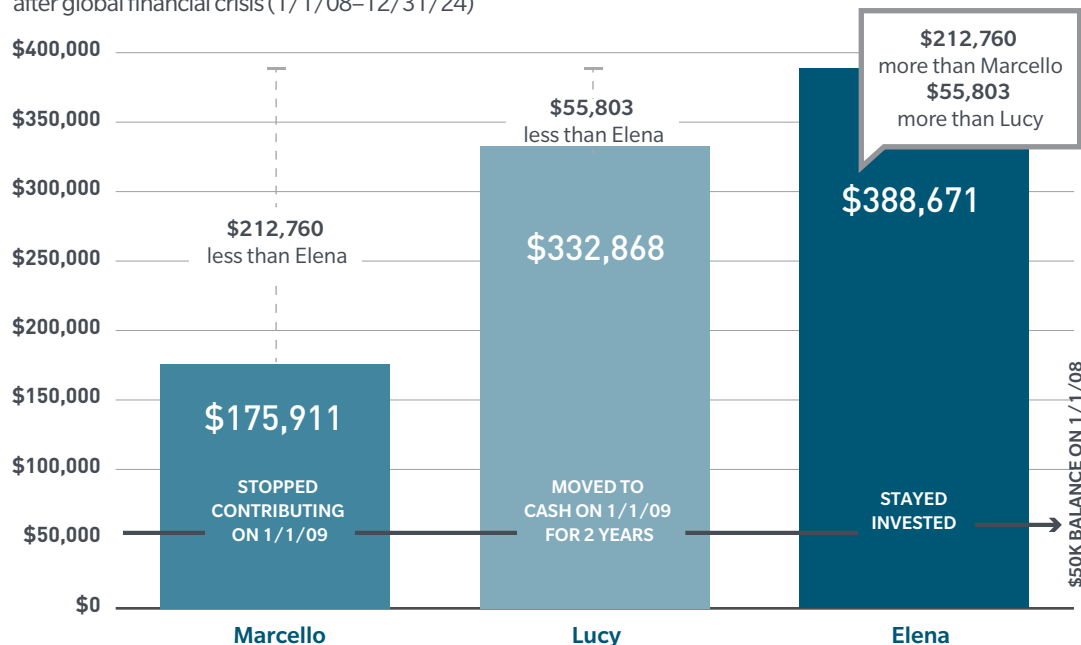
Key assumptions:

- Age (1/1/2008): 35
- 2008 salary: \$50,000
- Balance as of 1/1/2008: \$50,000
- Salary increase per year: 2%
- Employee contribution: 6% of salary
- Employer match: 4.5% of salary
- Asset allocation:
 - 50% US equity
 - 30% non-US equity
 - 20% US aggregate fixed income

History has shown that participants who stay invested fare better over time than those who move to the sidelines during downturns. Although past performance is no guarantee of future results, the global financial crisis of 2008 and 2009 (GFC) tells a compelling story. See how the actions of three hypothetical participants during the GFC affected their retirement account balances over a 16-year period.

Staying invested led to higher retirement savings

Hypothetical example based on results before, during and after global financial crisis (1/1/08–12/31/24)



Source: SPAR, FactSet Research Systems Inc., MFS analysis.

Hypothetical examples are for illustrative purposes only and are not intended to represent the future performance of any MFS® product.



Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. **Diversification** is a risk management strategy that mixes a wide variety of investments in a portfolio. **Rebalancing** is the process of realigning the weightings of a portfolio of assets (ADR).

For purposes of this comparison, return calculations were based on monthly returns from January 1, 2008 through December 31, 2024 for the indices listed and defined as follows — the **S&P 500 Stock Index** measures the broad US stock market. The **Bloomberg US Aggregate Bond Index** measures the US bond market. The **MSCI EAFE Index (net)** measures the non-US stock market. Index performance does not reflect the deduction of any investment-related fees and expenses. It is not possible to invest directly in an index. Asset allocations rebalanced monthly. Pay increases effective 1/1 of the following year. Contributions and match made at month-end. The use of a systematic investing program does not guarantee a profit or protect against a loss in declining markets. You should consider your financial ability to continue to invest through periods of low prices. **Past performance is no guarantee of future results.**

Keep in mind that no investment strategy, including ADR can guarantee a profit or protect against a loss. Also, all investments carry a certain amount of risk, including the possible loss of the principal amount invested.

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By staying invested, contributing regularly and maintaining an asset allocation based on her needs, Elena benefited from the market's rebound after the GFC and the compounding of new contributions and gains, leading to more retirement savings.

Actions can cost money

Marcello

Marcello's decision to stop saving means he received \$212,760 less than Elena after 16 years, a significant amount given that saving was already a part of his daily financial life.

Lucy

Lucy's decision to move to cash for two years means she realized \$55,803 less than Elena. While her decision may have reduced stress in the short term, it is hard to pick a market bottom and the impact of missing the rebound might ultimately have caused her more worries.

Elena

If Elena had decided to save 1% more starting 1/1/08, her account balance would have increased by \$20,263 over 16 years. Volatile market environments have often presented an opportunity for participants to consider increasing their contributions.

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