Fundamental Investing
Strategies for the long term

MANAGING YOUR RISK TOLERANCE OVER TIME

Common pitfalls and how to avoid them

Experienced investors know that risk is an inescapable part of investing. Still, severe market downturns can challenge anyone's willingness to take on too much risk.

When you first started investing, a financial advisor may have helped you develop an investment strategy that reflected your situation, goals, time horizon, and risk tolerance. However, as the years go by, your situation and temperament for risk may change.

At such times, you may be tempted to severely limit your risk exposure. No matter what the market environment, you can benefit from regular meetings with your financial advisor to make sure you are comfortable with the amount of risk you have taken on with your investments. Your advisor can provide perspective and help ensure you maintain the proper risk and potential reward balance that may be needed to pursue your long-term goals.

Beware of the hidden risks of low-risk investing

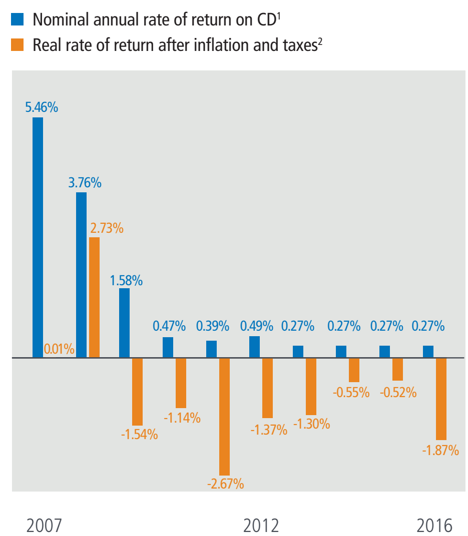
Periods of extreme volatility in the market can be gut wrenching for even the most seasoned investors. When you invest in conservative vehicles, such as U.S. Treasury bills, CDs, or a money market fund, you may believe you are not taking on any risks.

These "low-risk" investments do a great job of helping to protect you from market risk, which is the possibility of losing money because of a decline in the overall stock market. But they may leave you exposed to other risks that you might not see right away.

Risk #1: Inflation cutting your real return

The return you receive from a low-risk investment may not be enough for you to keep ahead of inflation over time. In fact, when you subtract taxes and inflation, your real return may be quite low.

Guaranteed vs. real rate of return



The "real return" after taxes and inflation can be low and even negative on even the most conservative investments.

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Note: Statements in this piece are based on U.S.-centric investing vehicles and may be different than similar investing vehicles outside the U.S. and in local jurisdictions. Please refer to your financial advisor for more information.

[1] Source: SPAR, FactSet Research Systems Inc. as of 12/31/16. CDs are represented by the Citigroup 6-Mo CD Index. CDs are FDIC insured and have principal and interest guarantees but offer limited opportunity for growth of capital or income.

[2] Source: SPAR, FactSet Research Systems Inc., and Tax Policy Center, as of 12/31/16. Inflation figures based on the Consumer Price Index (CPI). It is not possible to invest directly in an index. Highest marginal U.S. federal tax rate is based on $100,000 of taxable income for a married couple filing jointly (taxpolicycenter.org).

MFS does not provide legal, tax or accounting advice. Clients of MFS should obtain their own independent tax and legal advice based on their particular circumstances.

See the reverse side for other important information.

Low-risk investments are designed to preserve your capital, not increase it.

Risk #2: Limiting your portfolio's growth potential

If your goal is to build a sizable nest egg for the future, a portfolio of low-risk investments may actually be riskier than you think. That is because the guarantee of relative safety tends to limit the growth potential of these investments. On the other hand, riskier investments such as stocks offer investors exposure to the potential growth opportunities they need to build wealth over time.

Risk #3: Your income can drop when interest rates drop

When low-risk investments come due, you may have to reinvest your money at a lower rate of return if interest rates have dropped in the meantime. Because of this reinvestment risk, your "guaranteed" product could suddenly pay you a lot less income each month. Of course, if interest rates have risen, you will be able to reinvest at a higher rate and enjoy a boost in income. It is important to remember that interest rates can move both ways.

Common "low-risk" investments

U.S. Treasury bills are short-term obligations of the U.S. federal government. They offer a government guarantee as to timely payment of interest and guaranteed return of principal if held to maturity.

Certificates of deposit (CDs) are Federal Deposit Insurance Corporation insured and offer a guaranteed return of principal and a fixed rate of interest, but no opportunity for growth of capital or income.

Money market mutual funds are not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a fund.

Maintain balance

To work toward meeting your short-term needs of principal protection and your long-term need of principal growth, you generally may need to draw upon a variety of investments that will bring a diverse risk and potential reward mix to your portfolio.

THE VALUE OF ADVICE

Of course, an experienced financial advisor — who knows your goals, temperament, and total holdings — could be your most valuable asset in any market environment and over time. Working together, you will be able to determine your overall comfort level with risk, allocate and diversify your assets accordingly, and draw up the best possible plan for pursuing your long-term financial goals.

Stocks can be volatile and can decline significantly due to adverse issuer, political, regulatory, or economic conditions.

Keep in mind that no investment strategy can guarantee a profit or protect against a loss.

All investments, including mutual funds, carry a certain amount of risk including the possible loss of the principal amount invested.

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