At a Glance:

Staying Focused In Turbulent Times

When the market is volatile, almost everyone thinks about their financial future and the potential impact such fluctuations may have on their 401(k) account(s). However, it is during these turbulent times that it's important to remember certain basic, time-tested principles of investing.

CONTINUE CONTRIBUTIONS. It may not seem intuitive, but continuing to contribute to your 401(k) plan — even during market downturns — can potentially enhance your returns over the long-run. A down market can be an opportunity for you to acquire more shares of your investments at a lower price. Consistent investing through market ups and downs is called "dollar-cost averaging." If an investment's price is high, you buy fewer shares, or units. When prices are low, you buy more. Investing regularly, using dollar-cost averaging, can help reduce the risk associated with buying during big swings in market prices.

DIVERSIFY. If you've ever heard the saying, "Don't put all your eggs in one basket," then you already have a basic understanding of diversification. Diversifying your portfolio can reduce risk and volatility. Review your account and make sure your portfolio is not too heavily weighted in company stock, or in any single asset class.

STAY INVESTED. You may be anxious about the decrease in the value of your investments. But don't be tempted to move out of the market, sit on the sidelines and wait for prices to rebound. Trying to time the market could potentially jeopardize your financial plan — and your future goals.

MAINTAIN A LONG-TERM FOCUS. Any investment decisions you make should be based on your financial goals and objectives, time horizon and risk tolerance, rather than concerns about market volatility. Even if the market seems volatile, remember that ups and downs are normal. It is important to stay focused on your financial future and refrain from making short-term decisions on long-term investments.

History demonstrates that there will always be some degree of uncertainty and volatility in the markets. While market events are out of our control, we do have control over our financial objectives and how our investments are allocated to help us achieve them. If you would like assistance in determining the mix of asset classes that can help you meet your financial objectives, contact your Morgan Stanley Financial Advisor.

Diversification does not guarantee a profit or protect against loss. Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his financial ability to continue his purchases through periods of low price levels.

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