MARKET VOLATILITY AND INVESTING FOR RETIREMENT

Los Angeles County
Metropolitan Transportation Authority

While volatility is often associated with negativity and downward movements in the stock market, it is technically neither good nor bad. Volatility is the quick and unpredicted price fluctuation of an investment or an entire market (i.e., bond market, stock market, etc.). Fluctuations can be both positive and negative and vary in frequency and severity. Here are a few considerations to keep in mind:

Relax

Saving for retirement can be stressful if you are constantly worrying about daily fluctuations. Know the performance of your investments, but do not pay too much attention to the day-to-day changes in the market. Keep in mind, market fluctuations are normal! Without it, progress cannot be made. The bottom line is that market downturns are inevitable, but they do not mean disaster if you invest wisely and stay the course for the long term.

Diversify, Diversify, Diversify

Diversification simply means you do not put all your eggs (money) into one basket (investment). Spreading your money across a wide variety of investments is a good way to minimize risk during volatile times in the markets. Know your investment goals, risk tolerance, and timeframe. Select funds that range from conservative to aggressive.

If you are not comfortable creating your own mix of investments, you can select a Target Date Fund, a diversified investment designed for retirement savings. A Target Date Fund matches the year you plan to retire or begin withdrawals from your account. It may be all that you need. For more information on the investment options available in the Los Angeles County Metropolitan Transportation Authority 457 & 401(k) Retirement Plans, visit **www.icmarc.org/lacmta** and look under the heading, "Investing."

Stick to the Plan

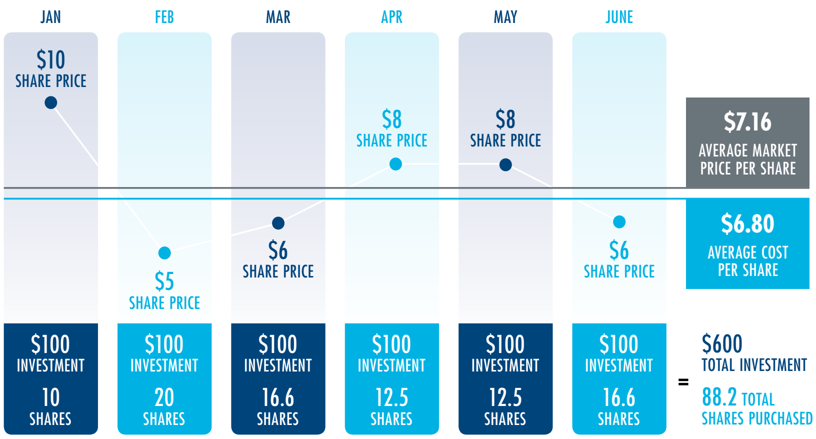
It is easy to lose sight of the end goal — a comfortable retirement — when things are not going as planned. How much time you have to invest will help you determine how much volatility you can endure. Having a goal in mind with a plan of action can help you stay focused on the end result while riding out the ups and downs of the market. If you need help developing a plan, schedule a meeting with one of your local ICMA-RC representatives. These experienced professionals do not earn a commission and are dedicated to helping you prepare for your future. To schedule a one-on-one appointment, go to **www.icmarc.org/lacmta**.

Investing through Dollar-Cost Averaging

When is the best time to invest? How much should I invest? What if the market changes? Should my investment strategy change with it?

Investing often raises many questions and concerns for individuals. Fortunately, by participating in the Los Angeles County Metropolitan Transportation Authority 457 & 401(k) Retirement Plans, your retirement plan contributions are automatically invested in a sound strategy called "**dollar-cost averaging**."

Instead of investing all of your savings at one time, dollar-cost averaging invests smaller, fixed-dollar amounts on a regular basis.



Dollar-cost averaging…

- Takes advantage of the broad market ups and downs
- Lessens the effect of wide price swings in the market
- Manages risk by slowly buying shares over time

Though dollar-cost averaging does not guarantee a profit or prevent losses, it is designed to reduce the impact of the broad market natural fluctuations. As with any investment strategy, sticking to the plan is key to success.

If you would like to discuss your account in more detail, you may also schedule an in-person, one-on-one appointment with your local ICMA-RC representative, go to **www.icmarc.org/lacmta**.

Rebalance Your Investments to Manage Risk

An auto mechanic rebalances tires to mitigate risk. Rebalancing your investments helps you to maintain a prudent level of risk by following a disciplined investment strategy. It also provides an important opportunity to reflect if your situation has changed and if you need to adjust your target risk level.

Consider that the investments you choose may not have as much impact on your account balance as your overall asset mix will. And that asset mix can change without you lifting a finger! Check your accounts at least once a year, and if your asset mix has changed by at least five percentage points, consider rebalancing. Rebalancing is moving money in your account so that your overall portfolio aligns with your original asset mix, usually after market movements have caused it to change.

Rebalancing is especially important as you get older and have less time to recover from market declines. It can help keep a conservative portfolio conservative. As you near and go through retirement, the need to manage risk will likely be more important than trying to squeeze out extra growth. On the other hand, younger investors with long time horizons may choose to "let their investments ride" and not rebalance.

To implement an automatic rebalancing schedule for your investments, choose a quarterly or semi-annual schedule when making transactions through the "Manage Funds" link located on the left hand side of Account Access. Please log in to your account at **www.icmarc.org/lacmta** to get started.

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ICMARC BUILDING PUBLIC SECTOR RETIREMENT SECURITY

Los Angeles County Metropolitan Transportation Authority

Retire 457 & 401

AC: 44433-1118 (Rev1019)