

February 2008

To MIT 401(k) Participants:

Volatility occurs in all financial markets and recently, there has been volatility in the bond and short-term markets, and uncertainty in the stock market. We would like to take this opportunity to provide clarity around how market volatility relates to your retirement plan investments. Below are answers to some common questions.

**If there is volatility in the financial markets, should I be concerned?**

Over time, the market will shift up and down. While volatile markets are difficult to endure, well-prepared investors know that market declines are normal. We cannot predict when it will happen, but you can prepare for when it does. News coverage of market volatility can fuel fear and anxiety—causing investors to sell their holdings. Remember, waiting out market volatility may be more of an advantage than reacting to it if your investment mix is appropriate for you.

One of the best things you can do is be familiar with your investments and the type of risk you're taking. If you are comfortable with your investments and the level of risk they bear, then sticking with your already established investment portfolio may be your best course of action.

**Should I take action with my investments to protect myself from market volatility?**

That decision is yours alone, but in general, developing an appropriate investment mix consistent with your individual situation and sticking with it can be the best course of action. Here are some tips:

- **Investing for the long term may help reduce the impact of market shifts.** Keep in mind why you've invested in your retirement plan in the first place. For most people, that means thinking about long-term savings. Over time, the market often shifts up and down. It feels great when you see your account going up—just remember not to panic when your investments go down.
- **Diversification can help limit risk.** If market downturns are effective at doing one thing well, it's illustrating that diversification is one of the most important investment strategies in existence. Nobody can predict when the markets will turn. That's why it's important to spread your assets among various investment classes. By exposing yourself to different segments of the market, you can help lessen the risk should one particular market segment or asset class show weakness. Keep in mind that diversification does not ensure a profit or guarantee against a loss.
- **Develop a plan and stick with it.** While swings in the markets are difficult to endure, well-prepared investors realize that market declines are normal. You might find that market downturns are a good time to ask yourself a few questions. Am I comfortable with the level of risk I have taken on, or are the market swings more than I can handle? If daily market activity keeps you from sleeping at night, it might be time to review your investment objectives. But if your long-term objectives are still intact, hanging tight might be the best course of action.

If you have questions about your MIT 401(k) Plan investments, we encourage you to call the MIT 401(k) Service Center at 1(877) MIT SAVE (648-7283), or, meet onsite at MIT with your Fidelity Retirement Counselor. Book an appointment by calling **1(800) 642-7131**.

MIT Benefits Office