"If your portfolio is well-suited to your goals and personal risk tolerance, there generally is no need to take any action in the face of market turbulence."

compliments of:

Weathering Market Conditions

Today's Forecast

There is never a dull moment in the world of investing. And most investors would agree that keeping pace with the increasingly volatile nature of today's markets can be difficult. In recent years, we have witnessed both ups and downs in the stock market. Large-company stocks performed extremely well from 1997-1999, while the years 2000, 2001, and 2002 produced negative returns. Stocks bounced back and produced positive returns from 2003 to 2007, however, the market's extreme volatility in 2008 has caused concern among investors. Steep declines and sharp increases, sometimes occurring within the same day, often trigger nervous reactions from investors. But don't let short-term market fluctuations shift the focus away from your long-term goals. If your portfolio is well suited to your goals and personal risk tolerance, there generally is no need to take any action in the face of market turbulence.

Running with the Bulls

A "bull market" is a period characterized by investor confidence. During a bull market, securities prices rise or are expected to rise. We experienced a strong bull market in the 1990s, when the U.S. and many other foreign financial markets grew at their fastest pace ever. However, it's best not to get caught up in the irrational exuberance of a bull market. Markets move in cycles, and the next "bear" could be around the corner–as many investors learned back in 2000 when the dot-com bubble burst.

Bear Markets

A bear market is Wall Street terminology for an extended period of falling share prices. Exactly how long the period and how steep the fall are open to debate. But the most common barometer for a bear market is a decline of 20% or more in a relevant market index over at least two months. This may give potential investors pause, but it's important to remember that downturns are a natural part of the market cycle. As professional money managers caution, trying to predict the next bear or bull market is almost always a futile effort. Every prudent investor should realize that a long-running bull market will eventually have to take a rest, and that the next bear market may be right around the bend. Although the prospect of a bear market may provoke fear, proper planning and realistic expectations can help you tame your emotions and stick with your plan.

Recent Bear Markets

We have experienced a handful of market downturns in the past two decades. These declines have varied in severity, but in each case, the market made a relatively quick and healthy recovery. These examples indicate that panic selling is one of the worst decisions that an investor can make when the going gets rough:

August 1987–October 1987

On "Black Monday," October 19, 1987, the DJIA suffered an alarming 22% loss. Although the market had turned bearish during the previous August, the final onslaught occurred amid a severe bout of panic selling. But , the market bounced back. From that fateful day until the end of 1987, the DJIA was up 11.5%. By the one-year anniversary of the crash, most of the 22% loss had been recouped. Panic sellers missed the rebound, while investors who recognized this period as a buying opportunity—or those who simply "stayed the course"—reaped the rewards.

July 1990–October 1990

The bear market of the summer of 1990 was relatively short, yet it still proved to be unsettling. The Persian Gulf Crisis created investor concerns, spurring an economic tailspin that sent the DJIA from nearly 3,000 points to just over 2,300. This was a frightening period for investors. Once again, however, the market surged, sweeping past 3,100 by the end of 1991.

March 2000–October 2002

As mentioned previously, the high-flying dot-com boom eventually went bust. This led to a brief recession and—coupled with the events of September 11, 2001—the market went into a tailspin. Following three difficult years, the Dow ended 2003 up 2112.29 points (24.32% for the year).

Bull and Bear Essentials

Whether you're dealing with a raging bull or a grizzly bear, incorporating these time-tested strategies can help smooth out the ups and downs of the market.

■ *Focus on the future*
Short-term investment results are known for their volatility. That's why it is critical to keep your investment eye toward the future. And, although past performance cannot guarantee future results, it is helpful to look at historical averages to gain a better perspective on the long term. According to Morningstar, since 1926 there has been a one-year loss in the S&P 500 Index* 30% of the time. While that statistic may concern some investors, the picture brightens when looked at from a longer-term perspective. Morningstar also reports that over that same period of time, the S&P 500 Index has not experienced a loss for *any* 15 or 20-year time period. In addition, the long-term impact of compounding can have a profound effect on your investments. For example, a single dollar invested in the stocks of large companies at the beginning of 1926 would have grown to $3,246.39 by the end of 2007.**

■ *Stay the course*
Although it may be hard to ignore the chatter of market predictions frequently put forth by the financial media "experts," it is often better to not dwell upon what they are saying. If you have established a well thought out, long-term financial strategy based on your means, needs, goals and risk tolerance, it usually makes sense to stick with it. However, if your personal situation has changed (for example, if you've recently had a child or are nearing retirement), or if your asset allocation is "out of balance" due to a run-up or decline in a certain asset class, then it may be wise to talk with your financial professional about adjusting your strategy. Fluctuations in the market are unavoidable and no one can reliably predict them. So don't let market noise cloud your perspective. Generally, you should make adjustments to your investments based on changes in your life, and not on changes in the market. If you abandon your investment game plan, you may become more vulnerable to those emotional forces that can easily send you adrift.

■ *Keep your balance*
Diversifying your portfolio across asset classes may help you to be in the right place at the right time—or buffer the consequences of being in the wrong place at any time. By spreading your investments over various asset classes—such as stock, bond and money market funds—you can "smooth out" some of the volatility that's inherent in investing. This may increase the likelihood that you'll stay the course during periods of market turbulence, and thus reap the benefits that often go to long-term investors. Going forward, you should work with your First Investors Financial Services Representative to periodically re-evaluate your goals, and review your allocations.

■ *Stick with the program*
If you're investing a specific dollar amount into a mutual fund at regular intervals through an automatic investment plan, it makes good sense to stick with it. Through systematic investing, you buy more shares when the price is low and fewer when the price is high, which over the long haul reduces the average price that you pay for your fund shares. In a sense, you're putting the market's volatility to work for you. It's important to remember that this strategy—"dollar cost averaging"—neither assures a profit nor protects against loss in declining markets. Since this strategy depends upon continuous investment regardless of fluctuating price levels, you should consider your ability to continue making investments through periods of low price levels.

■ *Be realistic*
No matter what happens on a particular day in the stock market, there's no reason to panic. It's more prudent to maintain realistic expectations and to anticipate returns that are closer to the historical norm. For example, over the period 1926-2007, large company stocks returned an average gain of 10.4% per year and long-term corporate bonds averaged 5.9%. **

■ *Seek professional advice*
Professional advice can help you adopt a more pragmatic approach to investing. It is hard to act in a manner that is contrary to human nature, but during both the rough and smooth sailing you'll be better served by taking a disciplined approach to investing. Working with your First Investors Financial Services Representative can help you navigate changing market conditions.

For more information about First Investors funds or First Investors Life Insurance Company variable products, you may obtain a free prospectus by contacting your financial services representative, writing to the address below, calling (800) 423-4026, or visiting our website at www.firstinvestors.com. You should consider the investment objectives, risks, charges and expenses carefully before investing. The prospectus, or in the case of a variable insurance product, both its policy and underlying fund prospectus, contains this and other information, and should be read carefully before you invest or send money. An investment in these products is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

* Individuals cannot invest directly in an index. The past performance of broad market indexes is not indicative of future returns and is not intended to predict the performance of any First Investors fund.

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