Nevada Public Employees' Deferred Compensation Program

Nevada Deferred Compensation

Weathering the Storm

Reacting to the current financial climate

Stay calm in the face of an emergency. That is the rule of thumb in pretty much every situation in life, and it applies just as well to retirement planning in a stormy economy. The first reaction of many in these circumstances may be to jump ship. In response to the turbulent waters of today's financial markets, many investors consider or take the path of selling their assets that have experienced losses and taking refuge in safer assets such as government bonds or other investments with strong guarantees.

Keep an eye to the horizon

Reacting to market downturns by abandoning your long term strategy can have a significant impact. As the following chart illustrates, had you invested $10,000 in the securities included in the S&P 500 Index on Oct 01, 2008, your investment would have grown to $25,075 by Oct 01, 2018 - an average annual total return of 9.63%. In contrast, had you pulled your money out of the market during one of the low points of that 10 year period, you could have missed out on most (or even all) of the investment gains in the S&P during the period. If you missed the market's 10 best days of that period, your 9.63% average annual total return would have decreased to 2.46%. What's more, had you missed the market's 20 best days, your average total return would have decreased to -1.67%.

Missing the market's best days can be a costly mistake

10/01/2008 - 10/01/2018

Investment Period	Average Annual Total Return	Growth of $10,000
Fully invested	9.63%	$25,075
Missing the 5 best days	5.22%	$16,640
Missing the 10 best days	2.46%	$12,753
Missing the 15 best days	0.28%	$10,287
Missing the 20 best days	-1.67%	$8,450

Past performance is no guarantee of future results. Performance shown is historical index performance and not illustrative of any specific funds Performance. This is a hypothetical example used for illustrative purposes only. The return figures are based on a hypothetical $10,000 investment in the S&P 500 Index from Oct 01, 2008 through Oct 01, 2018. The lump sum investment in common stocks would have reflected the same stocks/weightings as represented in the S&P 500 Index. The example does not represent or project the actual performance of any security, or other investment product. The hypothetical figures do not reflect the impact of any commissions, fees or taxes applicable to an actual investment. The S&P 500® Index is an unmanaged, market capitalization-weighted index of 500 widely held U.S. stocks recognized by investors to be representative of the stock market in general. It is provided to represent the investment environment existing for the time period shown. The returns shown do not reflect the actual cost of investing in the instruments that comprise it. You cannot invest in an index. Source: Commodity Systems, Inc. (CSI) via Yahoo Finance.