American Funds® The right choice for the long term®

ideas for investors

Dealing with declines

In recent months, the market has experienced more volatility than it has in years. Though underlying fundamentals remain relatively strong, market setbacks can be worrisome. It's important to remember that short-term declines and corrections are a natural part of the investment process and should not affect your long-term financial plan. The chart below illustrates how common these fluctuations have been.

A history of declines (1900 – December 2007)

Type of decline	Average frequency	Average length*	Most recent occurrence
Routine (–5% or more)	About three times a year	47 days	November 2007
Moderate (–10% or more)	About once a year	113 days	November 2007
Severe (–15% or more)	About once every 2 years	216 days	October 2002
Bear market (–20% or more)	About once every 3.5 years	332 days	October 2002

Source: The unmanaged Dow Jones Industrial Average.SM Assumes 50% recovery rate of lost value.
*Measures market high to market low.

Of course, you have no control over the market's ups and downs, but you'll be better prepared to weather these cycles if you focus on what you *can* control.

- **Stay invested.** Many investors act on emotions — getting out of the market when they see it declining and getting back in when it rebounds. Maintaining a long-term perspective means spending time in the market, not timing it.
- **Invest for income.** Whether a stock price is rising or falling, companies can continue to pay dividends. Growth-and-income and equity-income funds are typically designed to produce a steady flow of dividend income.
- **Seek consistency.** Find an investment manager that consistently seeks to reduce volatility by using a more defensive and conservative strategy.

Past results are not predictive of results in future periods. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund's prospectus, which can be obtained from a financial professional and should be read carefully before investing. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money.