living with **market** **ups** and **downs**

Stock prices go down for a lot of reasons—slumping corporate profits, rising inflation, unfavorable legislation, or political crises at home or abroad. While it's only natural to feel uneasy when the markets are behaving more wildly than usual, the most effective approach is to plan rather than panic.

An important thing to remember during a difficult market is to keep your focus on maintaining your sound investment plan. If you've set goals and developed a strategy, you owe it to yourself to keep your plan on track.

This brochure outlines some investment principles and strategies that can help you evaluate whether your current investment plan makes sense for you over the long term, and avoid reacting to short-term market events.

Fidelity Investments®

Invest on a regular basis through market ups and downs.

One of the best ways to meet your goals is to invest on a regular basis—automatically, without hesitation, and without regard to what the market is doing on a particular day. That's because even modest monthly contributions can have a dramatic impact on your investments over the long term. Investing on a regular basis takes advantage of dollar cost averaging. When prices are high, you'll buy fewer shares. But when prices are low, you'll buy more, which can potentially lower your average cost per share. In fact, your automatic contributions from your paycheck to your employer-sponsored retirement plan already take advantage of this strategy. Of course, periodic investing does not ensure a profit or protect against loss in a declining market, or against loss if you stop when the value of your account is less than what the shares cost you to purchase. For dollar cost averaging to be effective, you must continue to purchase shares in both market ups and downs.

Dollar cost averaging

	Share price	Investment	Shares purchased
January	$10	$100	10
February	$7	$100	14.3
March	$6	$100	16.7
April	$8	$100	12.5
May	$9	$100	11.1
TOTAL	$8 average	$500	64.6

Asset allocation helps balance risk.

When the market in one asset class is down, typically another is up. By spreading your assets among stocks, bonds, and short-term investments, you can reduce the impact that a down market in any one asset class has on your portfolio. Also, keep in mind that:

- Choosing an appropriate asset allocation strategy and staying with it for the long term may be a better approach than constantly trying to stay ahead of the markets.
- Investors with a long-term horizon and greater tolerance for risk may benefit from the long-term growth potential of stocks.
- Although bond and money market funds provide lower potential return, they can be used to potentially off-set some risk from a stock-heavy portfolio and may provide capital preservation for investors who are close to retirement.

For help in determining if your asset allocation strategy is appropriate for your situation, use our interactive Asset Allocation Planner in the Tools section on the Fidelity Web site at **www.fidelity.com/atwork**.

This is a hypothetical example and does not necessarily reflect actual performance.

While dollar cost averaging will not ensure a profit or guard against a loss in a declining market, your average cost per share can be lower than it would have been if not purchased at these intervals. Since dollar cost averaging involves continuous investment in securities regardless of the fluctuating price levels of such securities, investors should consider their financial ability to continue share purchases through periods of varying economic conditions.

Diversification can help protect against risk.

Diversification means spreading investments within an asset class, such as stocks, or across several asset classes. It's designed to give you additional opportunities to balance risk and reward. For example:

- You might consider spreading your money among a number of stock mutual funds, which by their nature are diversified among many different individual securities.
- Investing in different kinds of stock funds can also help you reduce the risk that poor performance in a single stock sector or market—such as large companies, small companies, overseas, etc.—could adversely affect the return of your whole portfolio.
- There is no single right answer about how many investment options to select. Choose a number that provides adequate opportunity to diversify across and within asset classes without duplication and that you can monitor without difficulty. Please remember that diversification does not ensure a profit or guarantee against a loss.

Recognize that every investment has risk.

A certain amount of risk is unavoidable in any kind of investing. One risk—known as investment risk—is the risk that your investments may lose value. Stocks generally have more investment risk than other types of investments because fluctuation in their value can be dramatic. Another type of risk that you should be aware of is inflation risk, the risk that your investment earnings will lose purchasing power and may not be enough for you to live on comfortably in retirement. Over time inflation erodes the value of a dollar so a specified amount of money can purchase fewer goods and services as the years go by.

Think about it: Does $20 buy the same amount of groceries today as it did 10 years ago? Probably not. That's why you need to make sure your retirement money grows to keep up with inflation. Therefore, although stock investments have more investment risk, they may help your assets keep up with inflation and maintain the purchasing power of your money over time.

Be prepared for setbacks.

For many people, preparing for retirement means investing their savings in stocks or stock mutual funds that seek to generate the investment returns they need to achieve their long-term goals. However, the stock market can be somewhat unnerving because the value of investments can change dramatically—sometimes day to day. Therefore, it's important to be emotionally prepared to live with daily changes and the accompanying front-page headlines and news reports before you invest in stocks or stock mutual funds.

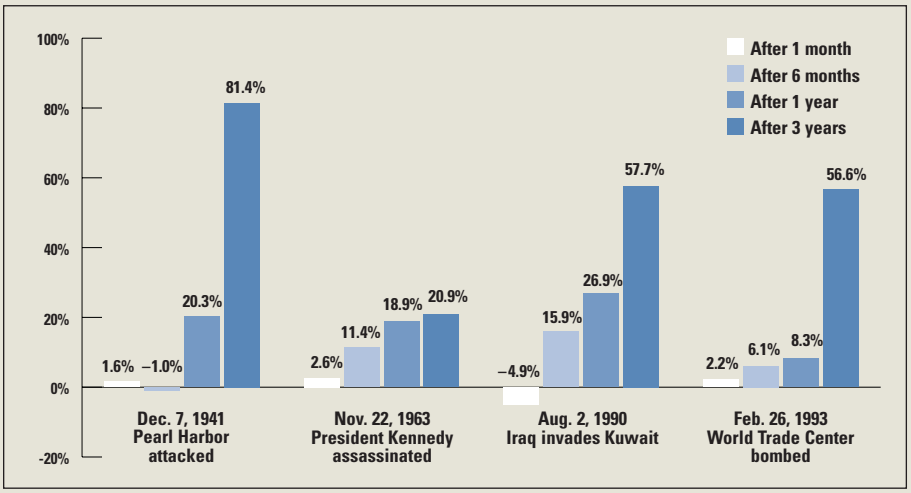
Understand that time is on your side.

Time gives long-term investors the flexibility to wait out the effects of short-term market fluctuation. While stocks, the most volatile investments, can rise and fall dramatically in the short term, they have outperformed all other investments over the past 50 years. In the past, stocks have traditionally boosted investment values more than bonds, Treasury bills, and other interest-bearing investments such as certificates of deposit (CDs) and money markets.* In fact, historically, the risk of suffering a loss in stocks has tended to diminish significantly after five or 10 years. Keep in mind that past performance is no guarantee of future results.

History has also shown that even during times of market downturns due to tragic events, market recovery has occurred within a year of the event. The chart below shows how the S&P 500® Index has historically recovered after significant events.

Market Recovery after Tragedy

Cumulative historical return of the S&P 500® Index after tragic events



Source: 2001 Ibbotson Associates, Inc. Past performance is no guarantee of future results. All indexes are unmanaged, and performance of the indexes is not illustrative of any particular investment. An investment cannot be made in any index. The S&P 500® Index is an unregistered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks.

Monitor and manage your plan!

While it is important to start saving for retirement and to create an investment strategy that's appropriate for you, you must also make sure you stay on track to meet your goals. Fortunately, you don't have to go it alone. We offer further help and access to useful tools that let you to review your investment strategy and determine whether you're still on course.

To access tools and information that can help you manage your plan:

1. Log on to Fidelity NetBenefits℠ at **www.fidelity.com/atwork**—where you can choose from a variety of tools to help you check performance, make investment changes, and revisit your investment strategy.
2. Call a Fidelity Retirement Services Specialist at **1-800-343-0860** Monday through Friday from 8:00 A.M. to midnight ET.

For more complete information about the investment options available through your plan, including fees and expenses, call or write Fidelity for free prospectuses. Read them carefully before you invest or send money.

*Unlike mutual funds, most CDs and U.S. Treasuries offer a fixed rate of return and guarantee payment of principal if held to maturity. Unlike most bank products, such as CDs, money market mutual funds are not FDIC insured.

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An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in these funds.

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