American Funds®

How to stay focused on your investing goals

How paying attention to your emotions and taking a different look at investment returns may help bring some peace of mind.

Ongoing market volatility may have left you feeling ready to cash out of all your investments. Or perhaps you already cashed out and are waiting on the sidelines for the right time to re-enter the market. Such uncertainty is understandable; investors across the board have felt the pain of this recession.

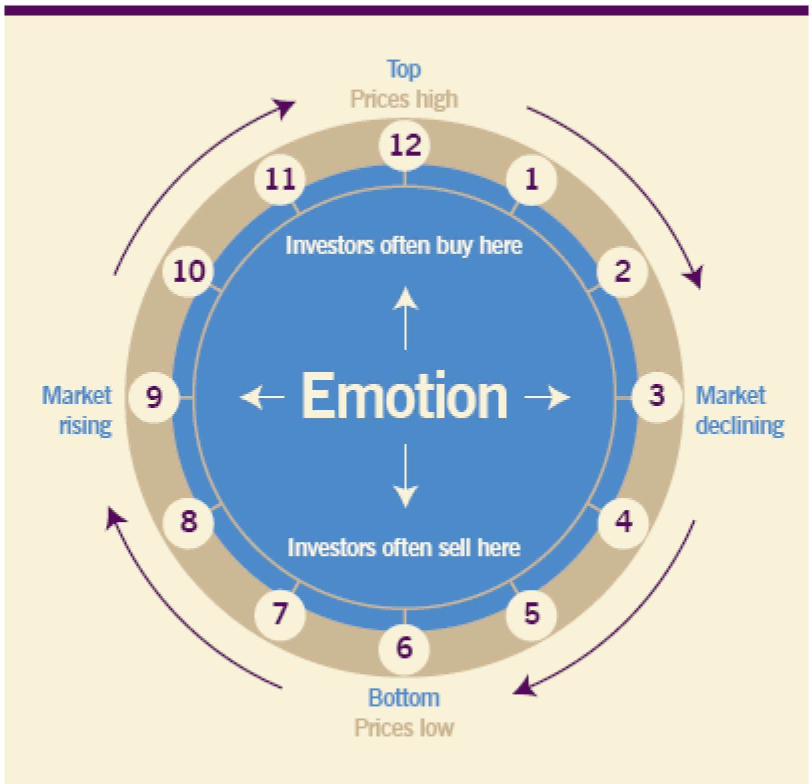
As you work with your financial adviser to determine what makes sense for your long-term goals, keep these two investing perspectives in mind:

1. Be careful of your emotions

As the clock to the right shows, stock market cycles — which include normal ups and downs as well as periods of more extreme volatility — often cause investors to do the wrong thing at the wrong time.

- During periods when equity returns have been relatively high, people have tended to flock to the market — when prices were at their highest.
- But when equity returns have lagged, many have sold their holdings and left the market — at a time when stock values have been most attractive.

In essence, these investors bought investments at a high price and sold them when their value was low — the opposite of the "buy low, sell high" philosophy.



2. Take a fresh look at returns

There are many ways of looking at investment results. Try to keep a long-term perspective, rather than focus on short-term fluctuations in your account.

To gain some perspective, take a look at the S&P 500 results by 10-year rolling returns shown in the table below.

In calculating “rolling returns,” analysts look at the total returns of the S&P 500 in each of the decades that have elapsed since the inception of the index in 1926, the first being 1926-1935, the second 1927-1936 and so on until the latest decade, 2000-2009.

Of these 75 periods, just five decades have had negative returns: 1928-1937, 1929-1938, 1930-1939, 1999-2008 and 2000-2009. It’s important to keep in mind that past results are not predictive of future results.

The S&P 500: 10-year rolling returns, 1926-2009	
Number of rolling decades with positive returns	70
Number of rolling decades with negative returns	5

Results are based on the unmanaged S&P 500 calculated with dividends reinvested for the period December 31, 1925, through December 31, 2009. Note that two of the five decades (1928–1937 and 1930–1939) had negative annualized results of just –0.00% and –0.08% respectively.

What you can do

- **Remember that it’s natural to feel worried at times.**
  Even people who are aware of the market’s historical cycles may feel torn between their emotions and knowledge.

- **Follow your head rather than your gut.**
  Maintaining a regular investing strategy means you have the opportunity to take advantage of market declines like this one by purchasing more shares for less money. Keep in mind that regular investing does not ensure a profit or protect against loss. You should consider your willingness to keep investing when share prices are declining.

- **Talk to your financial adviser.**
  Before making any decisions, make sure your emotions are in check and talk to your financial adviser. Take steps to ensure that your long-term investment strategy stays on track.

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 summary prospectus and prospectus, which can be obtained from your financial professional and should be read carefully before investing.

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