



Six Strategies for Weathering Market Volatility

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Whenever there's market volatility, investors become naturally concerned about what they should do to protect their portfolios. Although there are some strategies that are particularly suited to down markets, financial experts will tell you that, for the most part, investors should focus on their asset allocations in a down market just as they should when prices are up. So although down markets can be difficult to endure, they don't necessarily require investors to do anything – unless they've strayed from their asset allocations and need to get their portfolios back in line. *Please note: Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.*

As you read on, remember that Wachovia Securities has been here before, and we're in this with you. We have a long history of helping clients work toward their goals through all kinds of markets: up, down and sideways. Your Financial Advisor, backed by the specialists in our Home Office, is prepared to help you manage your investments during these turbulent times. Of course, no matter what the markets hold, he or she will provide the outstanding client service that's become our hallmark.

Think Long Term

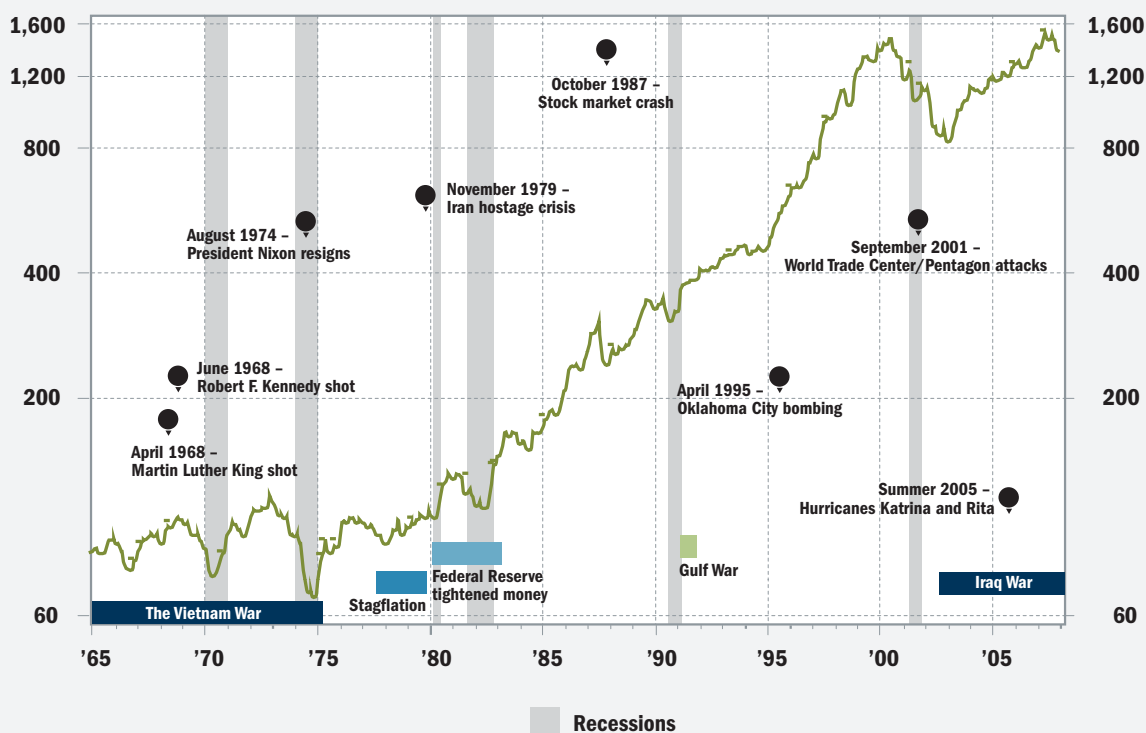
Investors used to have to call their Financial Advisors for information. Today, everything you might want to know about the markets, a particular sector or an individual stock is as close as the nearest television 24 hours a day. Although this constant barrage of information can be useful for some investors, for long-term investors it's generally of little value. In fact, if it causes you to become overly focused on what's going on this week, day and hour, we believe such information can actually be detrimental. Making investment decisions based on short-term market activity can make it more difficult for you to work toward your long-term goals.

If you're finding yourself glued to the TV or Internet waiting for the latest news flash, you may need to change

the channel or shut down the computer. Instead of focusing on what's happening this minute, you may be better off considering the market's historical performance and how what's going on now appears to be part of a pattern the market has repeated on a fairly regular basis.

The more you understand the market, historical returns and volatility, the better the investment decisions you're likely to make. The chart below shows the Standard & Poor's 500 Composite's performance since 1965. During this period, this index's average annual total return was approximately 10%; however, you'll notice there were several significant market declines, especially in 1970, 1974, 1982 and 2001. In each of these cases, investors who thought long-term were eventually rewarded. Of course, past market performance is no guarantee of future results. You cannot invest directly in an index.

The Performance of the Standard & Poor's 500 Composite - 1965-2008



Source: Wall Street Journal/Haver Analytics. Return results assume annual reinvestment of dividends. Past performance is no guarantee of future results.

Review Your Asset Allocation

In theory, investing is all about numbers: balance sheets, earnings and ratios. However, in reality emotions play a big role. When times are good, investors can get greedy and become overly enthusiastic buyers. When things turn south for awhile, investors often sell without fully considering the long-term implications. Neither practice generally makes for smart investing.

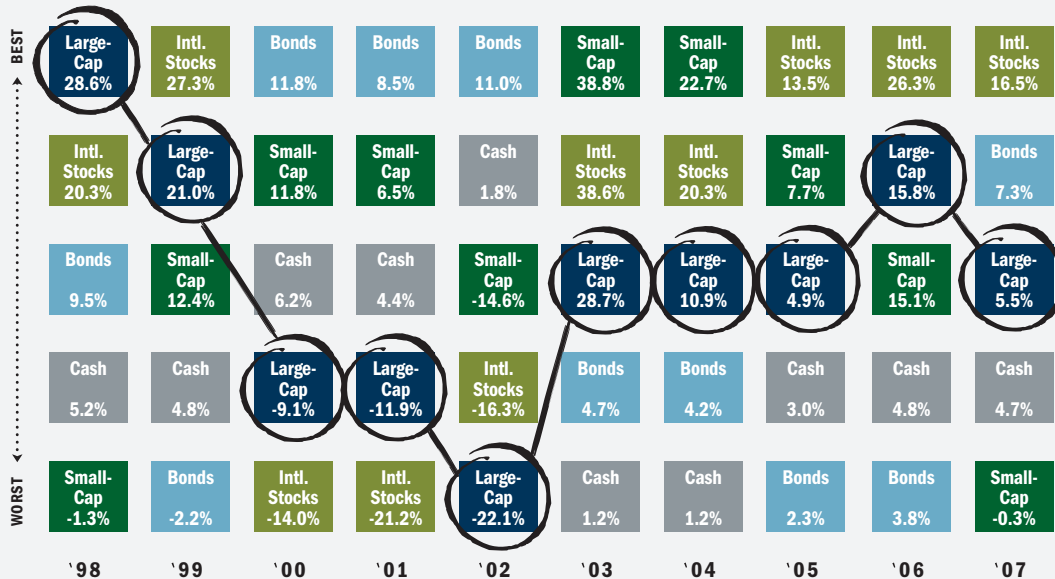
During times like these, it's often important to stick with your asset allocation to avoid making investment decisions based on emotion. Your asset allocation is designed to help you reach your desired return with a risk level you're comfortable with. It defines what asset classes

belong in your portfolio and in what proportion to each other based on where you are today, where you want to go and how long you have to get there. Unless something has changed significantly in your life (a birth, death, etc.) that may result in a need to change your goals and tolerance for risk, it's often best to leave your allocation as is.

Changing your allocation based on a particular asset class's current performance is seldom a good idea. As the chart below shows, predicting what investment will do well based on its recent performance is difficult to do. A hot sector, for example, in recent months could suddenly fall out of favor with investors. You're much better off buying an investment because it fills a hole in your asset allocation rather than because it's the current "flavor of the day."

The Value of Asset Allocation - 1998-2007

There's no telling which investments will perform better or worse from one year to the next. One year's leader can be the next year's laggard and vice versa. This chart shows how various asset classes have performed during the past 10 years. For example, notice how large-cap stocks – a relatively stable asset class – has been both the best and worst performer as well as everything in between.



■ Citigroup Three-Month U.S. Treasury Bill – An index representative of the money markets. It is an average of the last three three-month U.S. Treasury bill issues (excluding the current month-end bill).

■ Lehman Brothers Govt./Credit Bond Index – Based on all publicly issued intermediate- and long-term government and corporate debt securities.

■ S&P Small-Cap 600 Index – Represents 600 domestic stocks chosen for market size, liquidity and industry group representation.

■ MSCI EAFE – Represents all of the MSCI developed markets outside of North America.

■ S&P 500 – Covers 500 industrial, utility, transportation and financial companies in the U.S. markets.

As of Dec. 31, 2007. Past performance is no guarantee of future results. You cannot invest directly in an index.

Use Volatility to Your Advantage

Market downturns naturally make investors nervous, but they're not necessarily bad. For one thing, they help shake excesses out of the market. When there's a long-term bull market, such as the one experienced during recent years, investors tend to get carried away and pay too much. Market downturns help fix these imbalances.

In addition, if you're saving for retirement and won't be tapping your investments for a number of years, a downturn can actually help you work toward your goals if you're dollar cost averaging – the practice of investing a set amount in a particular investment on a regular basis. If you're putting a fixed amount into your employer's qualified retirement plan, such as a 401(k) or 403(b), or reinvesting capital gains and dividends into additional shares, you're dollar cost averaging.

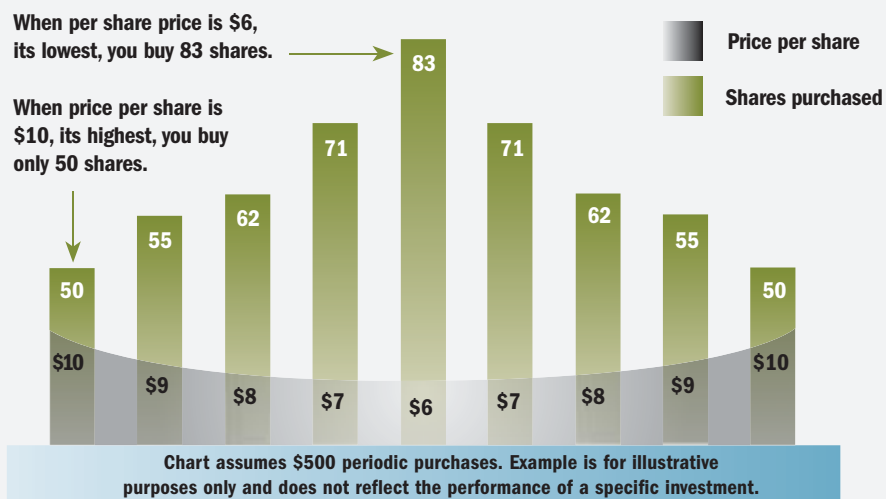
In a fluctuating market, dollar cost averaging lets you purchase additional shares when prices are low and fewer when prices increase. As a result, the money

you put into your employer's plan when prices are low purchases more shares than it did back before the market went down.

Like any investment strategy, dollar cost averaging doesn't guarantee a profit or protect against loss in a declining market. Because dollar cost averaging requires continuous investment regardless of fluctuating prices, you should consider your financial and emotional ability to continue the program through both rising and declining markets.

Now consider this: You may be better off if the market stays down for awhile because it will give you more opportunities to purchase cheaper shares to help offset those you bought when prices were higher. If the market returns to its previous levels or goes even higher before you retire, you could end up with more in your account than you would have had if the market had never gone down. It may seem counter-intuitive, but it's true.

Making Market Volatility Work for You*



* Effective dollar cost averaging requires discipline. You must invest the same amount at the same time every two weeks, month, quarter or other time period you choose. If you skip a period or two because you forget or are afraid you don't have the money at the time, you sacrifice the benefits of dollar cost averaging.

Stay Focused on Your Goals

Never forget why you're investing and stay focused on that. You may want to retire comfortably or send a child or grandchild to college. If those events are years away, a brief market downturn shouldn't be a concern. As the table below shows, average market declines are relatively short-term events. Of course, there's no guarantee that what we're experiencing is an average downturn or that past performance will indicate future results.

Having a clear idea of your goals is important because they help determine your time horizon. For example, if you want to save for a child's education, your time horizon will probably be shorter than if you are saving for your retirement.

Knowing your time horizon is important because it helps determine your asset allocation. Having a longer time horizon usually means you can invest more aggressively because you should be able to ride out any short-term price volatility and have the potential to enjoy the increased returns that a riskier investment usually offers.

On the other hand, a shorter time horizon may require you to use a more conservative allocation. If you haven't addressed your asset allocation recently and now retirement is around the corner or your child is preparing to graduate from high school, you may need to adjust your retirement and education savings allocations.

A History of Declines (as of June 30, 2008)

This study shows how frequently declines in the Dow have occurred since 1900. As you can see, they have been regular events.

Type of Decline	Average Frequency*	Average Length†	Last Occurrence
Routine (5% or more)	About three times a year	47 days	June 2008
Moderate (10% or more)	About once a year	113 days	June 2008
Severe (15% or more)	About once every two years	215 days	March 2008‡
Bear Market (20% or more)	About once every 3½ years	329 days	June 2008

Source: Capital Research and Management Company, as measured by the unmanaged Dow Jones Industrial Average. Past performance is no guarantee of future results.

* Assumes 50% recovery of lost value after each decline

† From market high to market low

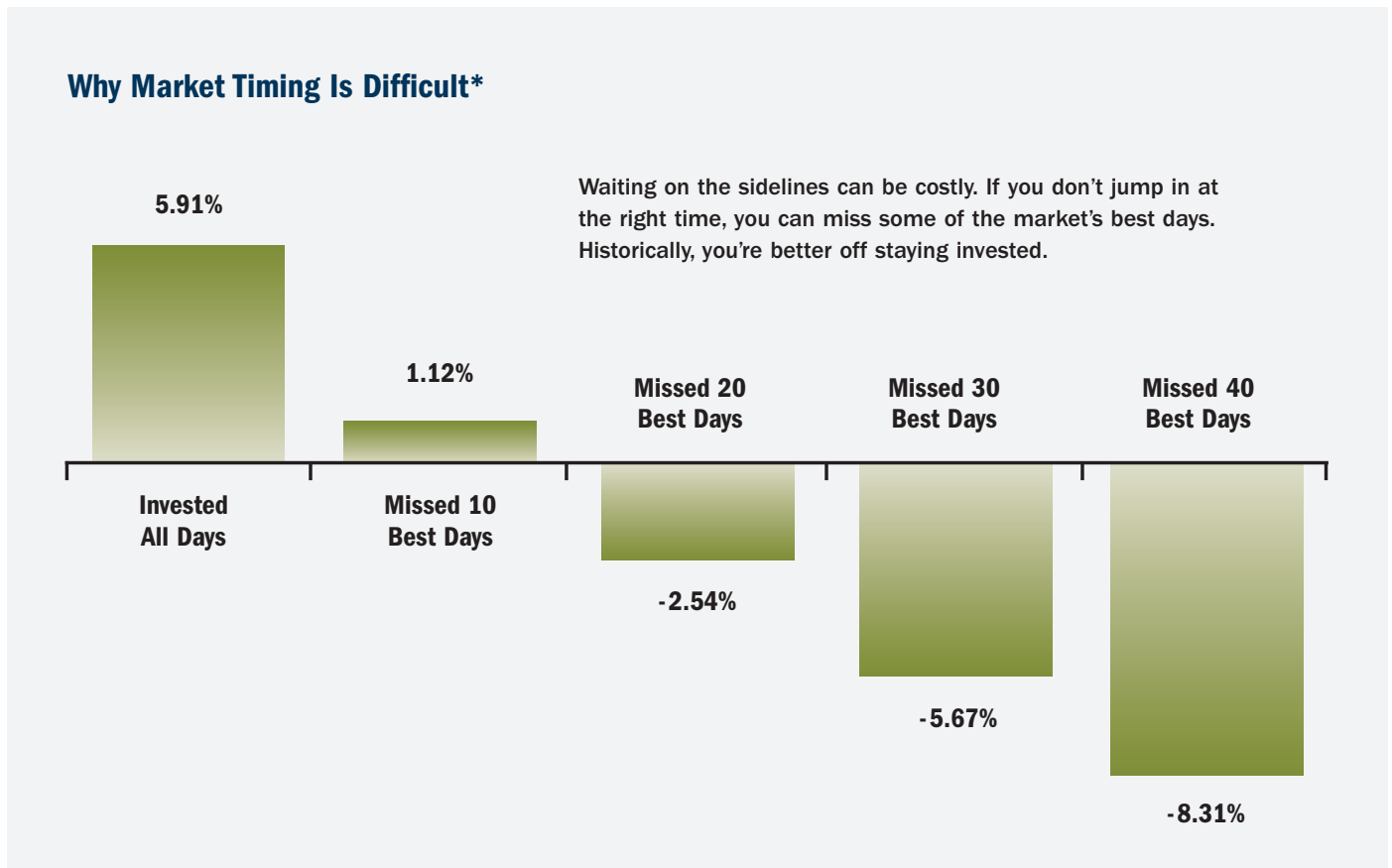
‡ Most recent 15% decline recovered 50% of lost value on May 1, 2008. There has not been another decline of 15% or more since May 1 and through June 30, 2008.

Avoid Trying to Time the Market

Some investors believe when the market is down they should sit on the sidelines until it rallies. When the market is up, other investors think they should wait for a correction to buy at what they feel are discount or bargain rates. These tactics seldom work.

We might ask the market timer, “What’s a good correction point at which to buy? 10%? 15%? And if a correction doesn’t happen, when will you say you were wrong? When the market’s up 5%? 10%?” Moving out of the market just before it starts to go down and back in just when it’s heading back up is something even the most seasoned investment professionals have seldom done with any consistency.

The chart below shows the effect on someone who invested on Jan. 1, 1998, and missed the best 10, 20, 30 or 40 market days of a 10-year trading period. The best returns were enjoyed by being invested all days. Investors who missed the 20, 30 or 40 best days lost money. It’s not market timing but time in the market that can bring about the potential for long-term success.



* Source: FACTSET Data Systems, Inc. This hypothetical illustration is based on the Standard & Poor's 500 Composite Index with dividends reinvested over the 10-year period between 1998–2007. This example does not include fees or commissions. Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not indicative of the performance of any specific investment. An investor cannot invest directly in an index.

Talk With a Financial Advisor

Hopefully, we've addressed your concerns regarding the market's recent performance; however, you still may want to meet with a financial professional for a detailed analysis of your particular situation.

Wachovia Securities Financial Advisors have a variety of tools available to analyze investors' portfolios. They can compare a portfolio's current allocation with our target model for the investor's objectives. Wachovia Securities provides a variety of these models to use as starting points for determining a portfolio's correct allocation. Our Financial Advisors can also provide additional information regarding the market's historical performance and time-tested strategies that have helped investors survive and prosper during market volatility.

If you don't have a Wachovia Securities Financial Advisor, you can find one nearby by going to WachoviaSecurities.com and selecting **Working With a Financial Advisor**.

Wachovia Securities emphasizes client relationships based on trust and knowledge. This business approach is unique, and it's never more vital than when there's market volatility. It's during these times that you need to know there's someone beside you on whom you can rely and who can help you navigate through stormy weather.

Our Commitment to You

We will honor our relationship with you.

When you work with a Wachovia Securities Financial Advisor, you have someone who takes the time to listen, to understand your needs and to help you clarify your goals.

We will be fully invested in your success.

Your Financial Advisor will help you stay on track to meet your goals through intelligent financial solutions, in-depth analysis of your investments and regular feedback on your progress.

We will be with you every step of the way.

Your needs and goals will change over time. That's why your Financial Advisor will be there to provide ongoing guidance – along with the exceptional service you deserve.

Our commitment to you will not change.

This is what it means to be with
Wachovia Securities.



Securities and Insurance Products: **NOT INSURED BY FDIC OR ANY FEDERAL GOVERNMENT AGENCY · MAY LOSE VALUE · NOT A DEPOSIT OF OR GUARANTEED BY A BANK OR ANY BANK AFFILIATE**

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