



Smart investor strategies for trying times



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Investing during trying times

The current economic downturn and the turbulent investment markets can make people nervous. That's understandable. But it may help to recognize that these events are a normal, although undesirable, part of the economic and investment cycles. One key to weathering market volatility is good, solid preparation. With basic investment principles and strategies, you'll be less likely to make big mistakes — like selling an investment when its price is at rock-bottom.

It may be encouraging to know that there are strategic steps investors can take even now, during these difficult market conditions, to help position themselves to benefit in the event of a market turnaround.

Don't panic

The stock markets routinely experience short and longer-term price swings. It's the nature of the risk — and potential return — associated with stock investing. Even with this volatility, the stock market has experienced overall upward growth for the past 80 years, with average returns of approximately 10 percent a year.¹ That growth occurred in spite of the Great Depression, World War II, the Korean and Vietnam wars, and no less than 10 bear markets.

The Dow Jones Industrial Average

You've probably heard on the nightly news that "The Dow" closed at a certain number, or dropped by a certain amount. The Dow Jones Industrial Average follows the performance of 30 select stocks chosen from the nation's biggest companies, including American Express, Boeing, ExxonMobil, Home Depot and McDonald's.

As a leading market indicator, the Dow is one of the oldest U.S. market indexes. It is thought of as a barometer of the nation's financial mood.

What are the Markets Anyways?

The United States is home to three major stock markets. Markets can be composed of facilities with physical trading floors or a network of computers allowing real-time trading of company stock shares. When you hear that the market is "down," chances are that this is referring to all markets in general not performing well at a given point in time. Here are the three major U.S. markets:

New York Stock Exchange (NYSE):

The largest stock market in the world where shares in more than 3,000 companies, such as Coca-Cola and General Electric, are traded.

National Association of Securities Dealers Automated Quotations (NASDAQ):

This electronic stock exchange exists solely on a network of computers, where traders can buy or sell shares of more than 3,200 companies, such as Microsoft and Intel. Although it's known for its technology stocks, the NASDAQ lists all types of companies.

American Stock Exchange (AMEX):

AMEX started out in 1921 as a way for companies that did not qualify for the NYSE to trade shares. Although owned by the NYSE, AMEX operates independently and trades shares of companies that include Alcoa and Intelli-Check.

¹ Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value.

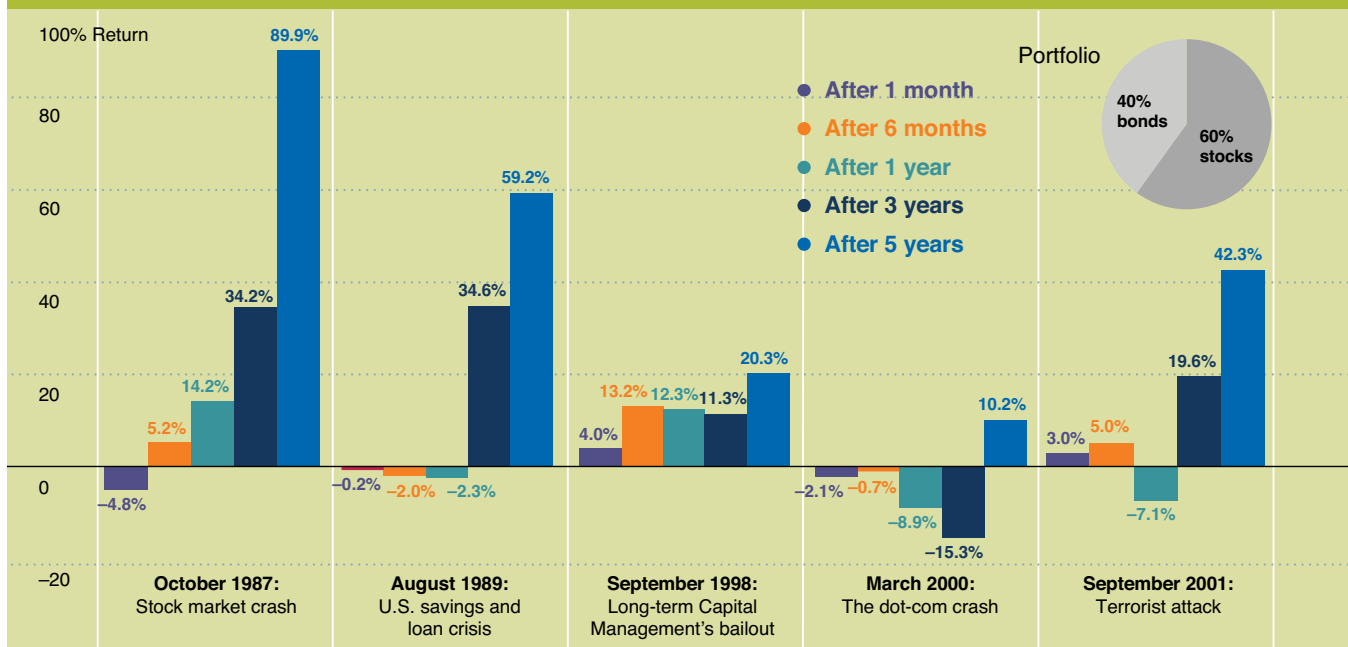
Although some investors had never experienced a market downturn until earlier this decade, most are aware of some of the more notorious drops. In October 1987, the Dow Jones Industrial Average, the most widely used indicator of the overall condition of the stock market, lost 508 points — or 23 percent — in one day, which is not-so-fondly referred to as “Black Monday.” The markets, of course, went on to experience record highs in the years shortly thereafter.

Here’s an example of how a portfolio of 40 percent bonds and 60 percent stocks would have performed following five past financial crises.



U.S. Market Recovery After Financial Crises

Cumulative return of balanced portfolio after various events



Past performance is no guarantee of future results. Returns reflect the percentage change in the index level from the end of the month in which the event occurred to one month, six months, one year, three years and five years after. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Stocks in this example are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the 20-year U.S. government bond. Calculations assume monthly data. The data assumes reinvestment of all income and does not account for taxes or transaction costs. For the U.S. savings and loan crisis, August 1989 was chosen because that was the month the Financial Institutions Reform, Recovery and Enforcement Act of 1989 was signed into law. For Long-Term Capital Management, September 1998 was chosen because that was the month the hedge fund was bailed out by various financial institutions. © 2008 Morningstar, Inc. All rights reserved. 9/18/08



Avoid losing strategies

Down markets are a fact of life. But they need not be a cause for panic or rash decision-making based on newspaper headlines or TV talk shows. Resist the impulse to react to market conditions in ways that can lead to regrets and sabotage your long-term goals.

Actions That Can Sabotage Investors' Long-term Goals

Selling stock investments when the market goes down

Investors lock in losses, and more importantly, are not in a position to benefit from rebounding stock prices in the event of a market turnaround.

Getting out of the stock market on the way down and getting back in for the upswing

Since it's impossible for even the experts to know where and when the market is going to move, trying to time the market in this way typically results in buying high and selling low. It also means that investors can miss out on growth opportunities when there's a market upswing.

Reducing or stopping retirement plan contributions

Investors miss out on buying investments at a low price, then benefiting from investment growth when prices go up in a recovering market.

Keeping all or most assets in fixed-income investments (cash equivalents and bonds)

Investors face the risk of not accumulating enough savings for retirement. Historically investors have been rewarded with higher returns by allocating some of their assets to stock investments. Smart investing usually means taking on some investment risk.

Understand investing basics

Investors can exercise a good deal of control over the risk exposure in their own portfolios when they understand the different levels of risk associated with various types of investments, and the role that asset allocation (diversification) can play in reducing risk.

How the stock market works

If you are invested in the stock market, you own shares of companies. The reason for fluctuations in the stock market is that it reflects the rise and fall of the value of ownership interests in the companies that participate in it. When the economy is prospering and companies are doing well, the stock market generally reflects that. When the economy is faltering like it has been recently, the stock market reflects that as well.

To “get your money out,” you have to sell your shares. There are good times to do this, such as when the price has risen and you can sell the stock for more than you paid for it, and there are not-so-good times. A declining stock market is generally not a good time to sell stocks. To sell your shares during a downturn will likely defeat your purpose for investing. It could mean that you will receive less than you originally paid for a stock.

What is a stock?

A stock represents a piece of ownership in a corporation. Each unit of ownership is called a share. When companies need to raise money to grow their businesses, they can either borrow from banks or sell stock.

Stock prices can change constantly as a result of many factors. But ultimately, the price of a stock is similar to the price of your house — it’s only worth what somebody else is willing to pay for it. If a company releases a popular new product, for instance, investors may feel confident about the company’s prospects for success and will be willing to pay more for its stock. But if that product fails to sell, the price of the company’s stock may suffer.



What is a bond?

A bond is another way for a company to raise money, but it’s more like a loan. Basically, it’s an IOU issued by a corporation or government. When you purchase a bond from a corporation, you loan that corporation money. In return, the corporation agrees to repay the money to you at a specified date in the future, and make interest payments to you in the meantime. The amount of interest is called the “coupon,” and it’s usually a fixed percentage. For this reason, bonds are often referred to as “fixed-income” securities. However, a bond’s market value can fluctuate as interest rates change. As interest rates rise, bond prices will fall.

What is a cash equivalent?

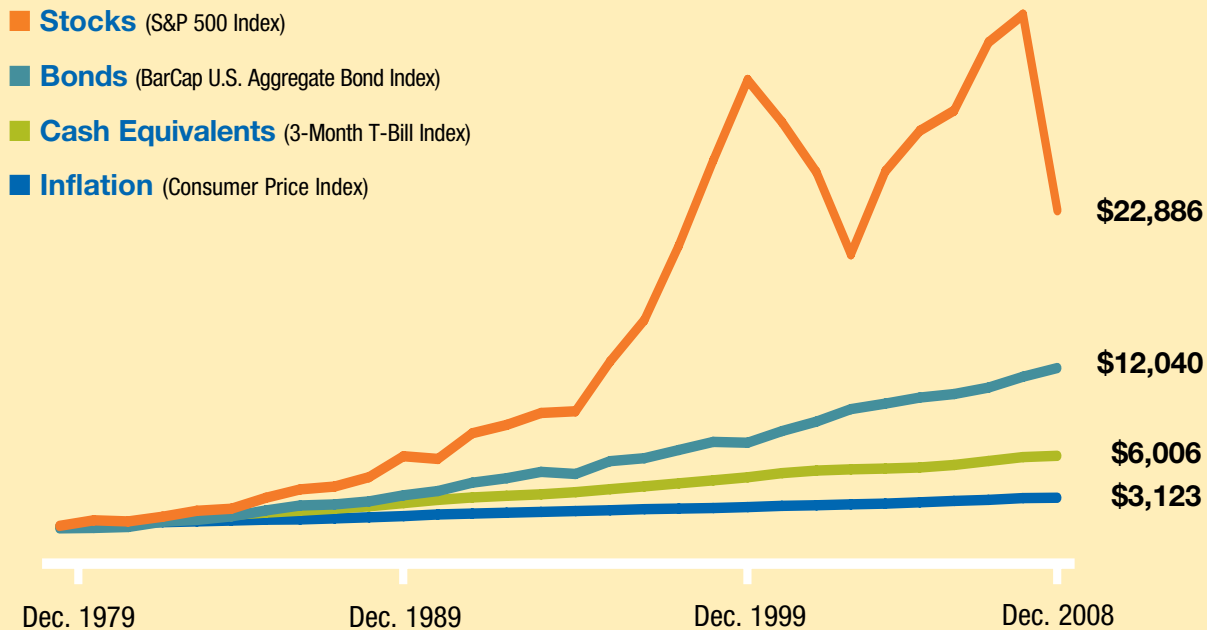
Cash equivalents include a wide variety of investments sold as alternatives to cash holdings. Money market mutual funds are one type of cash equivalent. An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in these funds.

Risk and time horizon

Every investment contains some level of risk. Before you consider investing, it's important that you know, and are comfortable with, that risk. Generally, the combination of investments you choose has the largest effect on your overall risk. A stock generally carries more risk than a bond, and a bond is generally riskier than a cash equivalent instrument. But along with the risks come potential rewards. Usually, the more risk you take, the more potential you have for reward. The chart below illustrates the returns for the different asset classes over time.



Different Investments, Different Returns



The index performances shown are for illustrative purposes only and are not indicative of the performance of any specific investment. Illustration assumes \$1,000 invested in each category. **S&P 500 Index:** A market capitalization-weighted index of 500 widely held stocks. Stocks may experience greater fluctuations in value than bonds or cash equivalents. **BarCap U.S. Aggregate Bond Index:** Covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. Bonds are subject to certain risks including interest-rate risk, credit risk and inflation risk. Bonds may experience greater fluctuations in value than cash equivalents. **3-Month T-Bill Index:** An index based on the results of auctions the U.S. Treasury holds for its Treasury bills, which are types of short-term government securities. U.S. Treasury securities such as bills, notes and bonds offer a high degree of safety, and they guarantee the timely payment of principal and interest if held to maturity. **Consumer Price Index:** An index that measures changes in the prices paid by urban consumers for a representative basket of goods and services. Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value. An investment cannot be made directly in an index. Sources: Morningstar Direct, Legg Mason.

Diversification and asset allocation

Experts advise that putting all your money into just one stock or bond is generally a bad idea. You'd be taking a very big gamble that just one investment could provide you with the financial returns you seek. That's why most suggest that you choose a number of different investments and diversify your portfolio. Although it does not guarantee a profit or protect against loss in a declining market, diversification helps to reduce risk. When one investment is experiencing a downturn, another might offset it by performing strongly.

Asset allocation is a term used to describe the action of spreading your money among different investments to reduce your overall risk.

Portfolio diversification does not necessarily prevent losses, but it substantially reduces exposure to individual company events.

What is a mutual fund?

Many employer-sponsored retirement plans offer mutual funds or similar types of investments. Mutual funds are collections of stocks, bonds or cash equivalent instruments designed to meet a specific financial objective. The funds pool investors' money and, depending on their objectives, they invest in one of these types of securities or a combination of them. Mutual fund investors, or shareholders, own a proportional unit, or "share," of all the securities owned by the fund.

Mutual funds are a popular way to invest because they provide a simple way to create a diverse portfolio of stocks or bonds. Even if you choose just one mutual fund, you'll typically be investing in a variety of securities. The funds are managed by professionals who monitor the investments constantly and are supported by teams of analysts and researchers. This alleviates the burden on the individual investor of creating and maintaining a diverse portfolio of investments.

Review Your Investment Strategy

Market downturns are a good time to ask yourself a few questions. Am I comfortable with the level of risk I have taken on, or are the market swings more than I can handle? Did my portfolio become overweighted in any one area, causing more volatility than I'm comfortable with?

Determine your comfort zone

To determine your own risk comfort level, ask yourself one question: Are you willing to tolerate greater volatility for potentially higher returns from your investments, or do you place more emphasis on quality (with less risk)? Several factors may influence the amount of risk you can comfortably accept in your investment plan, including:

- Your age (the younger you are, the more investment risk you may be able to take on)
- Family situation (being single, divorced, married or with children are situations that all factor into the equation)
- Income (the higher your income, the more risk you may be able to take on)
- Financial goals (goals such as saving for retirement, college, a new home or a car must all be addressed)
- Level of financial knowledge (the more you know about investing, the more comfortable you may become with risk)

Ultimately, you need to do what is right for you. For example, if you can't sleep at night because you're worrying about your stocks, then maybe you should consider a safer, steadier investment plan.

Take a look at your current risk exposure

The proportion of stock investments you have in relation to bonds and cash equivalents is referred to as your asset allocation. This mix of investments should take into account how many years you have until retirement and your ability to tolerate the type of abrupt price swings the market is encountering at this time. Think of your asset allocation as part of a long-term investment strategy that is intended to weather market downturns.

Compare the allocation of your investments with the following diversified portfolio ranges. Does your allocation to stock, bond and cash equivalent investments fall within these ranges, based on the type of investor you are and your years until retirement?

You'll notice that investors nearing retirement can still afford to take some risk. Their retirement savings will be spent over a long period of time, perhaps 25 years or more. That means their time horizon is long enough that they can afford to allocate some of their assets to stocks in hope of a higher return.

Asset Allocation Ranges for Diversified Portfolios

	Less than 5 years until retirement		5 to 15 years until retirement		More than 15 years until retirement	
	Cash equivalents and bonds	Stocks	Cash equivalents and bonds	Stocks	Cash equivalents and bonds	Stocks
Conservative	75-80%	20-25%	60-80%	20-40%	40-60%	40-60%
Moderately conservative	75-80%	20-25%	40-60%	40-60%	30-40%	60-70%
Moderate	60-80%	20-40%	30-40%	60-70%	15-20%	80-85%
Moderately aggressive	20-40%	60-80%	20-30%	70-80%	0%	100%
Aggressive	40-60%	40-60%	0-15%	85-100%	0%	100%
	The higher suggested stock percentages may be appropriate for investors on the long end of the time frame. The lower suggested percentages for stocks may be appropriate for investors on the short end of the time frame.					

Work your plan

There's one thing to remember during a difficult market: Don't get caught up in the madness. Instead, continue to 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 — especially during the market's peaks and valleys.

Keep things in perspective

It's easiest to stay the course if you really do focus on major life goals and not on the market's day-to-day or month-to-month movements. It's good to check on what is happening in the markets and to understand why certain things are occurring, but it's rarely constructive to obsessively review your investment portfolio.

If you make changes to your investments, do so in a thoughtful way, and after careful consideration. Talking with a financial advisor could be a first good move.

Don't forget to diversify

If there's a lesson to be learned from market downturns, it's that diversification is one of the most important investment strategies you can employ.¹ Nobody can predict when or where the markets will turn. That's why it's important to spread your assets among various investment classes. Anyone who invested heavily in technology stocks in the '90s without understanding the risks can appreciate that. By exposing yourself to different segments of the market, you can help lessen the risk should one particular market segment or asset class show weakness.

Stay focused on your long-term investing goals and don't react to short-term changes in the market.

Realign your portfolio (if necessary)

Have you decided that you're too heavily invested in stocks? Rather than moving current stock balances in a down market and locking in possible losses, consider increasing your future contributions to bonds or cash equivalents such as money market funds. This will slowly change your asset allocation to a more conservative investment mix.



¹ Diversification does not ensure a profit or protect against loss in a declining market.

Think about buying low

Declining markets often pose an opportunity many investors don't consider — purchasing more shares at lower prices. Let's say you bought shares of a mutual fund last year when prices were high. If you purchased additional shares when the price was dropping, you purchased those shares at a lower price. Although the markets may look grim at any given point in time, many investment professionals believe that stocks are “on sale” during significant market declines, and look upon them as good times to buy.

Although current market conditions provide growth opportunities for aggressive investors, avoid the temptation to shift large amounts of money into stock funds in hopes of a big turnaround. While the general trend of the stock market (as measured by the S&P 500 Index) has been upward for nearly a century, that growth has been accompanied by considerable volatility and prolonged downturns. It's impossible to know what the market will do, or when.



Consider increasing your contributions

Think about increasing the amount you contribute to your plan rather than taking on risk that doesn't fit your comfort level. You can have a portfolio with much less risk (more cash equivalents and bonds, less stocks) if your contributions are a bit higher.

Rebalance regularly

Volatile markets — or simply the passage of time — can change your proportion of funds in different asset classes, such as bonds, large growth stocks or international stocks. Rebalancing moves your portfolio back to your desired investment mix.

Review annually

Your personal situation will change over time. Be flexible and willing to change your investment strategy if the situation calls for it.

Dollar cost averaging

One of the great things about your retirement plan is that you contribute the same amount each paycheck, regardless of whether the market is up or down. When it's down, you are actually “buying low.” You are buying investment shares at a lower price.

In other words, for the same amount of money you receive more shares when the price is down than when it is up. This paves the way for potential growth opportunities for your portfolio when prices go back up.

Don't try to time the market

Investing in the market and staying invested is critical to the growth of your retirement savings. No one knows what the market will do on any given day. For instance, missing out on just the market's 10 best days over the last decade had an enormously negative effect on return.

It's Time in the Market That Counts

Investing in the market and staying invested is critical to the growth of your retirement savings. If you're the kind of investor who drops in and out of the market based on headlines, consider what it may be costing you.

The following example illustrates the hypothetical growth of a \$10,000 investment in the Standard & Poor's 500 Index from Dec. 31, 1988, to Dec. 31, 2008.

Stayed invested the entire time	\$50,430
Missed the 10 best days	\$25,944
Missed the 30 best days	\$11,243
Missed the 50 best days	\$5,627

Source: Standard & Poor's and The Standard's internal calculation, 2008. This illustration is hypothetical and for illustrative purposes only and is not indicative of the performance of any specific investment. Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value. The S&P 500 is an index of 500 widely traded stocks and is considered to represent the performance of the stock market in general. An investment cannot be made directly in an index.

Remain confident in your long-term strategy when facing short-term market volatility.



Don't miss out on the perks of your retirement plan

Understanding the advantages of your retirement plan is crucial in making wise savings and investment decisions.

It's simple

You determine how much to save and where you want to invest. The money gets deducted from your paycheck and put straight into your retirement plan account. Once you've made your investment choices, you don't have to think about saving — it's automatic.

Taxes on contributions and investment gains are deferred

Contributions you make to your account are not subject to federal income taxes until you retire or withdraw your money. This does two things. First, it lowers your current tax burden, as your income will be reduced by the amount you contribute. Second, any investment gains and earnings also enjoy tax deferral until distribution, when your tax rate will possibly be lower.

Those tax advantages help your money grow

Small amounts of money, when left to compound over long periods of time, can potentially grow into much larger amounts of money. The dividends, interest and capital gains within your account — which are not immediately taxed by the government — can compound for years, until you're ready to withdraw the money. This tax-deferred compounding can really add up over time.

You decide how much to save

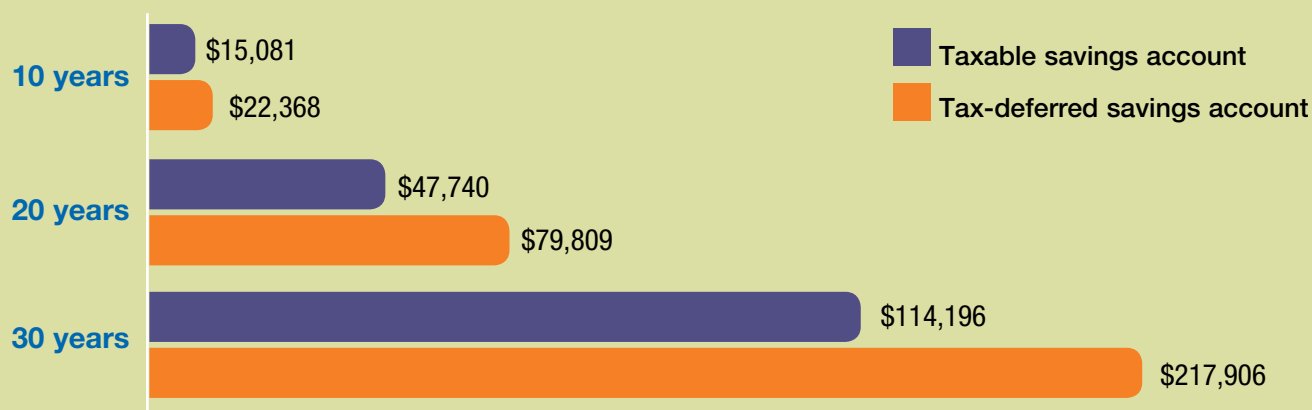
Your 401(k) plan allows you, the employee, to determine how much you save. The amount of money you contribute to your plan is one of the most significant factors in how much cash flow you will have in your retirement years.

You decide where to invest

Your contributions are invested according to your instructions, chosen from the investment options

The Power of Tax-Deferred Compounding

Use this chart to compare the returns of a tax-deferred account to a regular taxable account.



This chart is hypothetical and for illustrative purposes only and is not intended to be a projection of future values of any product. The investment return and principal value of an investment will fluctuate and an investor's interest, when redeemed, may be worth more or less than the original investment. Past performance is no guarantee of future results. The Standard imposes certain asset-based fees and administrative fees. These charges were not included; if they were, the tax-deferred performance would have been lower. Withdrawals prior to age 59½ may be subject to a 10 percent federal income tax penalty. This illustration assumes a \$25 weekly contribution, a 25 percent federal income tax rate, a gross annual growth rate of 8 percent, and a 3 percent annual wage increase with a corresponding increase in weekly contributions. Note that lower maximum tax rates on capital gains and dividends could make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the investments shown. Please consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision as these may further affect the results of the comparison. Withdrawals from the tax-deferred account will be subject to federal and possibly state income tax.

available in your plan. Usually, your plan will offer a variety of investment options, ranging from lower-risk cash equivalent funds to higher-risk stock investments. These options give you quite a bit of discretion over how much risk you're willing to take, and lets you choose an investment plan that works best for you. Over time, as your priorities change, you can make adjustments to your investments to keep them in line with your needs.

You can take it with you

The money you save in your retirement plan is portable, meaning you keep it if you change jobs or retire. You have many choices. You can leave it right where it is or you can roll it over into a retirement plan at your new employer. You may also roll it into an IRA or you can withdraw the money. If you begin making withdrawals before retirement age, be aware that you will pay taxes and may pay penalties on the money you withdraw.



The downside of early withdrawal

Some investors have asked if it would be a good idea to move money from their retirement savings accounts into a bank savings account. If you were to move your money out of your retirement plan, you would lose the tax advantages that your plan provides. Also, your entire account balance would be taxed as regular income, and you would probably owe an additional 10 percent federal penalty tax.

Still have questions?

Here's how the experts answered some frequently asked questions regarding saving for retirement in today's economic climate.

How is my retirement plan account affected by the recent problems experienced by financial firms and other corporations?

Firms such as Lehman Brothers, Freddie Mac and Fannie Mae issued bonds that were purchased by investment managers and became part of the holdings in the investment funds of retirement plan accounts. When some of those bonds ran into trouble, the value of the funds that invested in them declined. In addition, the stock values of these and other companies have been affected by recent bankruptcies, buyouts and takeovers.

Are any of my retirement plan investments insured?

Investments are not insured by the Federal Deposit Insurance Corporation (FDIC) or other government agency.

My account has been going downhill. Any suggestions?

If you are registered to use Personal Savings Center on retirement.standard.com, you can use Guided Planner, an online retirement-planning tool. This service guides you through a questionnaire to assist you in determining your risk tolerance. Depending on your answers, it will suggest possible retirement-planning solutions. To access this service, login to the Personal Savings Center and select Guided Planner from the Retirement Planning Resources menu.

Investment funds typically include several, perhaps a hundred or more, individual holdings. (In fact, the S&P 500 Index Fund holds the stocks of 500 companies.) This diversification can help cushion the impact on your account when some of a fund's holdings do not perform well.

Diversification does not ensure a profit or protect against a loss in a declining market.

How risky are my current retirement plan investments?

The overall risk associated with your retirement plan investments depends on the proportion of aggressive, high-risk stock investments that you have. Your stock funds offer the highest potential investment returns, but also the highest risk of losing money, particularly in the short term. Bonds offer moderate potential return and less risk of loss than stocks. Cash equivalent investments offer low risk and returns that historically have been at, or slightly above, inflation.

Should I consider moving my money to more conservative investments?

When you transfer money from stock to bond investments or cash equivalent funds in a down market, you are locking in your losses. Based on the history of the stock markets over the past 80 years, it's probable that your stock holdings can rebound and grow over time. (However, be aware that past performance is not a guarantee of future results.)

I'd like to protect the money in my retirement plan account. What's my best option now?

Should I move this to a cash equivalent Individual Retirement Account (IRA)?

Your retirement plan may offer a cash equivalent or similar low-risk investment fund that is comparable to the cash equivalent funds available through an IRA. There would be little, if any, advantage in moving your retirement plan account balance to a cash equivalent IRA. In fact, you could incur transfer expenses that would make such a move detrimental, and in most situations, you must be terminated from your plan or at least age 59½ to request such a rollover.

Newspaper headlines are alarming and the financial sector crisis has had a very negative impact on the market. Although diversification does not ensure against a loss in a declining market, diversified portfolios should be in a strong position once the current market turbulence passes.



Remember that even in uncertain times — especially in uncertain times — the fundamental rules of smart investing still apply.



TheStandard[®]
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Standard Retirement Services, Inc.
1100 SW Sixth Avenue
Portland OR 97204-1093
800.858.5420

www.standard.com
retirement.standard.com

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Plan sponsors and participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and The Standard Group Variable Annuity Contract and each underlying investment option in both the group variable annuity and group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing. Investments are subject to market risk and fluctuate in value.

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