

STAYING ON COURSE

Navigating market cycles on your education savings journey

Saving for education is a long-term journey and it's important to develop a plan and stay on course. During unpredictable financial markets, it can be tempting to deviate from your plan. While this is natural, it's important to avoid impulsive decision-making, as it can lead to unwanted financial outcomes.

Understanding *market* cycles

A market cycle refers to the natural pattern of ups and downs in the financial markets, and typically consists of four stages: expansion, peak, contraction and trough. During expansion, the economy and markets are growing, and investors are generally optimistic. The peak stage is marked by high prices and market exuberance. The contraction stage, also known as a bear market, is characterized by declining prices and overall pessimism. The trough stage is when financial markets reach their bottom. After this, the cycle often begins anew.

If you are investing over a longer time horizon, like saving for a child's education in a 529 plan, you can expect to invest through multiple market cycles.

Not succumbing to *emotional* cycles

It's normal to have emotional responses to fluctuations while investing through market cycles. It is a pattern commonly referred to as "the cycle of market emotions."

During a market's expansion and peak stages, investors may feel optimistic and excited, which can lead them to take on more risk than they are typically comfortable with. Conversely, during the contraction and trough stages, investors may feel fear and anxiety, which can lead them to sell investments at a loss or make rash decisions that could deviate them from their goals.

Being aware of these emotions and understanding their impact can help you manage your response to shifting market conditions and more successfully navigate through market cycles.

Stages of emotions throughout market cycles

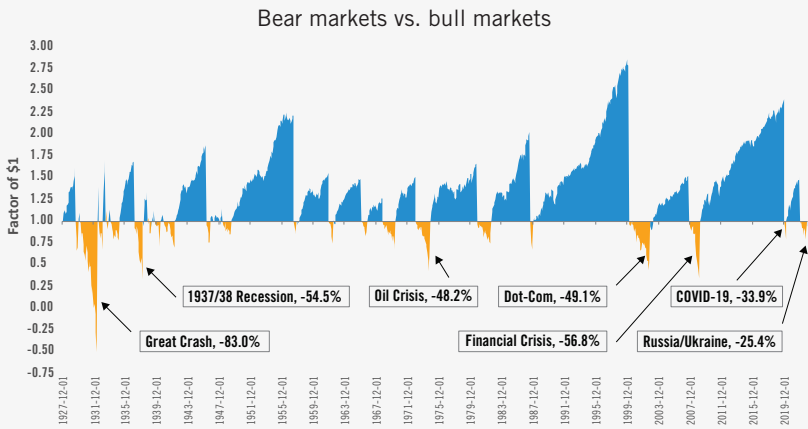


Gaining a long-term perspective

Looking at the periods of expansion and contraction for the U.S. equity market over the course of approximately 100 years helps clarify the recurring nature of market cycles.

Given these recurring contractions and expansions, it is often more important to focus on your goals and investment strategy rather than short-term market fluctuations.

The history of market cycles in the U.S. stock market



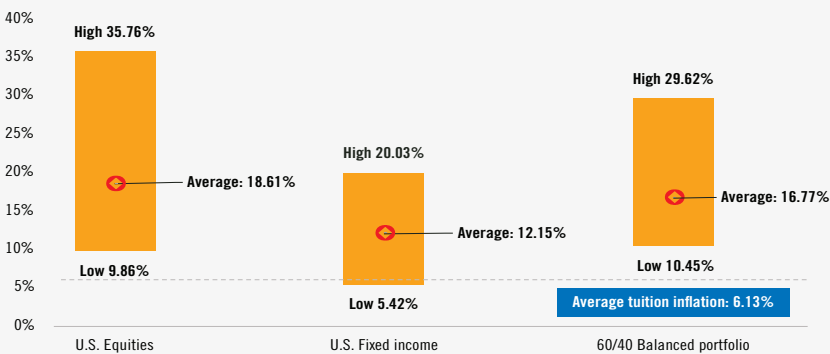
Source: Price data for S&P 500 Index from Bloomberg Finance L.P. Bear markets and returns from Yardeni Research, Inc., Stock Market Historical Tables: Bull & Bear Markets, October 2022.

From diversifying your investments to regularly contributing to your education savings account and staying committed to your savings plan, your actions can play a big part in achieving your education goals over the long term.

A 100-year view helps gain a long-term view of market cycles, but an 18-year view can shed light on a time frame similar to an education savings journey. This chart highlights average rolling 18-year returns for stocks and bonds from 1999 to 2022. Each of these periods involved investing through market cycles. The average 18-year rolling return was 16.77% for a 60/40 balanced portfolio.

Staying invested for 18 years

Average 18-Year Rolling Returns 1999-2022



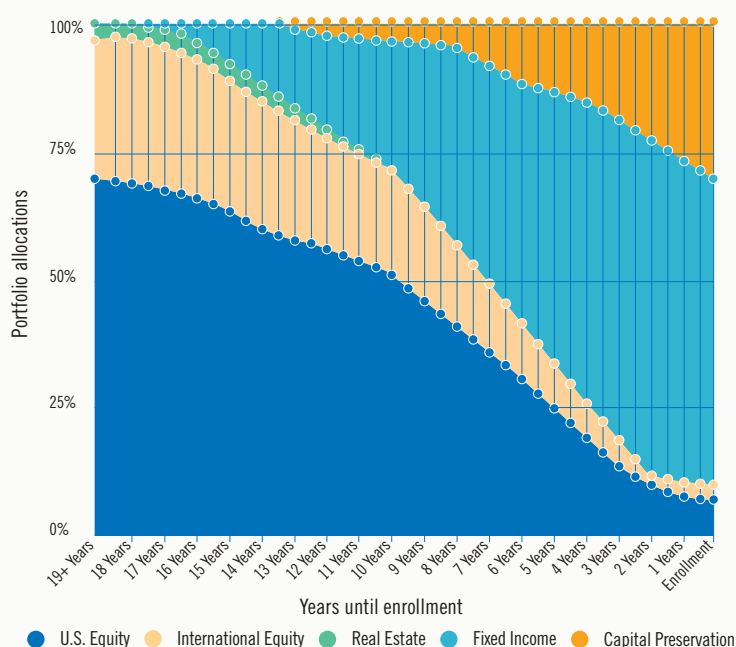
Source: This is based on 18-year rolling returns from 1999 to 2022. The first 18-year rolling return in 1999 is calculated using data from 1982 to 1999. U.S. equities represented by the S&P 500 Index on a total return basis. U.S. fixed income represented by the Bloomberg U.S. Aggregate Bond Index on a total return basis. The blended portfolio represents 60% invested in U.S. equities and 40% invested in U.S. fixed income. Data from Bloomberg Finance L.P. Average tuition inflation: Trends in College Pricing and Student Aid 2022, CollegeBoard. Tuition represents annual tuition for a four-year program at a public institution.

529 plans - Built for education savings

Given the longer-term timeframe of education savings, it's natural to ask: What's the best route to get to my destination? A 529 plan helps you on your journey through market cycles. Common investments in 529 plans include Year of Enrollment, Age-Based or Target Date portfolios, many of which benefit from “glide paths.” Glide paths automatically shift a portfolio's asset allocation from capital appreciation (growing assets) to capital preservation (maintaining assets) the closer you get to enrollment.

The Scholar's Edge 529 Plan's glide path was built thoughtfully with the entire education savings journey in mind. It overlays important features unique to education savings, including educational statistics, average savings rates and forecasts, demographic and census data, tuition growth forecasts, and market risk assumptions. Scholar's Edge 529 Plan's portfolios utilize a number of investment managers and their distinct disciplines to help with portfolio diversification.

Glide paths often emphasize capital preservation over time



Staying the course on your education savings journey

Saving for education may require navigating entire market cycles – with their accompanying ups and downs. By understanding those cycles, you can better manage the natural responses you may have to uncertainty. And to take some of the complexity out of investing, a 529 plan with a glide path can help you “systematically de-risk” your portfolio by shifting asset allocation from capital appreciation to capital preservation as the date of enrollment nears.

TALK TO YOUR FINANCIAL PROFESSIONAL ABOUT STRATEGIES TO STAY ON TRACK WITH YOUR EDUCATION SAVINGS IN ALL MARKET CYCLES. FOR MORE INFORMATION VISIT [SCHOLARSEDGE529.COM](https://scholarsedge529.com).

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