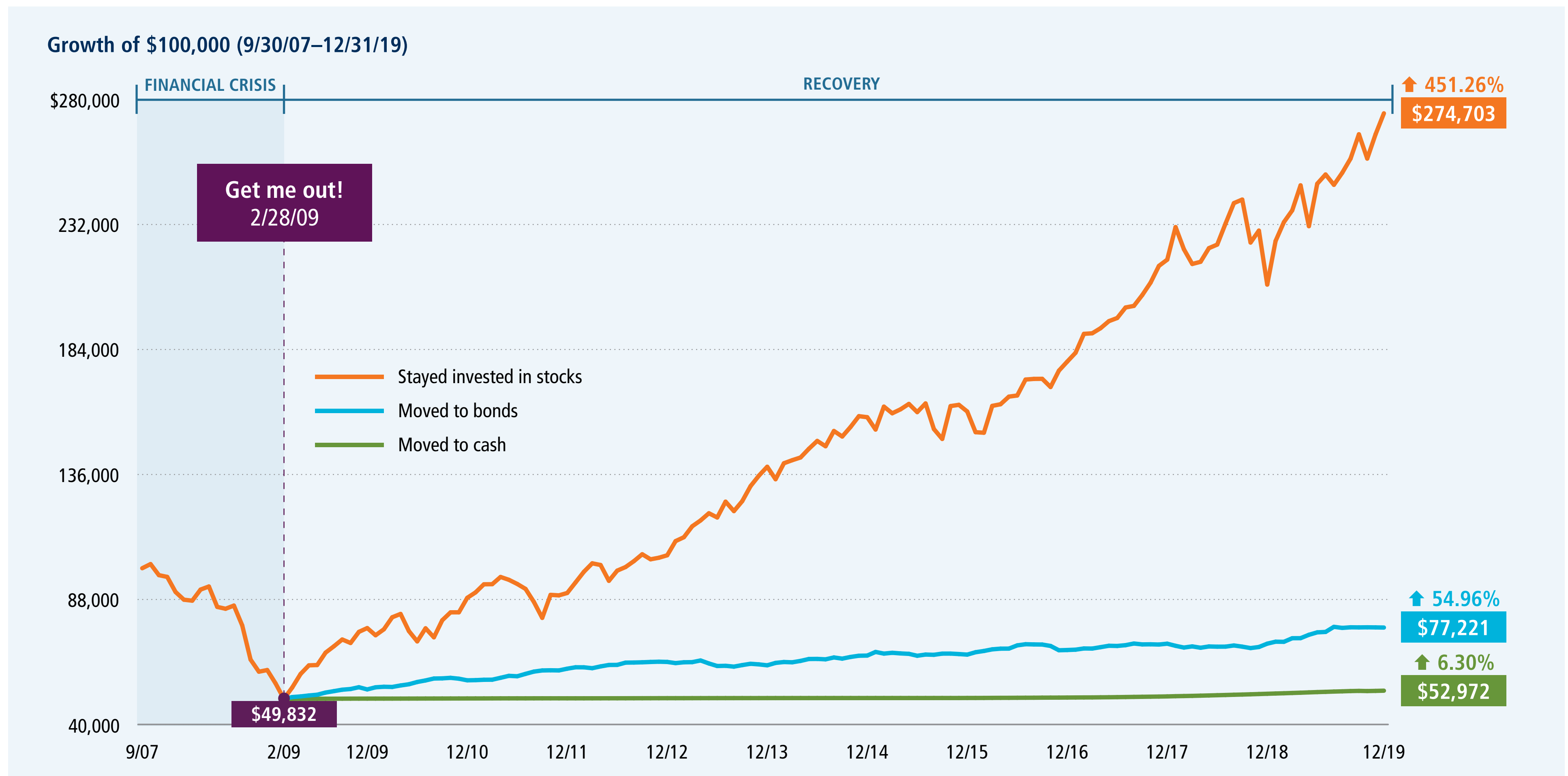
John Hancock Investment Management

Investors who abandon stocks in a downturn may miss out on their eventual recovery

One of the most difficult things for an investor to do is to avoid panicking during a market downturn and selling stocks when they're at their lowest point. For example, many investors abandoned stocks and moved to bonds or cash during the worst of the 2008/2009 financial crisis, when staying invested would have provided the best outcome over the long term.



Source: Morningstar, Inc., 2019. Stocks are represented by the S&P 500 Index, which tracks the performance of 500 of the largest publicly traded companies in the United States. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index, which tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. Cash is measured by the Intercontinental Exchange (ICE) Bank of America (BofA) 3-Month U.S. Treasury Index, which is an unmanaged index comprising a single issue purchased at the beginning of the month and held for a full month. The issue selected at each month-end rebalancing is the outstanding U.S. Treasury bill that matures closest to, but not beyond, three months from the rebalancing date. It is not possible to invest directly in an index. Past performance does not guarantee future results.

Sticking to your financial plan may make it easier to help meet your financial goals

Volatile markets will test the mettle of even the most experienced investors. Many wind up selling stocks when prices are at their lowest in favor of the safest, often lowest-earning, assets—a strategy that can greatly lengthen the time it takes an account to recover. A better strategy is to create a diversified portfolio that you can stick to and rebalance often to take advantage of assets selling at temporarily low prices.

How long does it take to recover from losses?

Assuming	10% loss	20% loss	30% loss	40% loss
1% yearly return	11 years	23 years	36 years	51 years
3% yearly return	4 years	8 years	13 years	18 years
5% yearly return	3 years	5 years	8 years	11 years
7% yearly return	2 years	4 years	6 years	8 years
9% yearly return	2 years	3 years	5 years	6 years
11% yearly return	1 year	3 years	4 years	5 years

Source: John Hancock Investment Management 2019.

Diversification does not guarantee a profit or eliminate the risk of a loss.

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@JH_Investments

John Hancock Investment Management Distributors LLC ■ Member FINRA, SIPC ■ 200 Berkeley Street ■ Boston, MA 02116 ■ 800-225-5291 ■ jhinvestments.com

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