

Name _____

Riding out the Investment Roller Coaster

Sheet #2

What Rules Your Decisions....Fear or Confidence?

Dealing with the ups and downs of the stock market.

Here are three different people's reactions to the economic collapse of 2008-2009. For our purposes, we will assume all three people had investment fund balances of \$20,000 in August of 2007. Here are the Dow Jones Averages at important points in time:

- August 2007: 13,900
- December 2007: 13,200
- June 2008: 11,300
- December 2008: 8800
- February 2009: 6500
- March 2009: 7600
- December 2009: 10,400
- February 2013: 14,000
- May 2015: 18,191

1) Walter saw the collapse beginning. In December 2007, he converted most of his 401k to cash. He then converted his 401k back to stocks in December 2009.

- a. Find how much Walter converted to cash in December 2007

- b. Buy buying back stocks in Dec 2009, find how much Walter's 401k is worth in May 2015.

2) Eileen is risk averse. She watched her life savings dwindle quickly while the Dow Jones plummeted in early 2009. Finally in February 2009, out of panic and frustration, she sold all of her stocks back for cash. She has not ever invested back into the market.

- a. Find out how much cash Eileen received when she sold her investments in Feb 2009.

- b. How much money did she lose?

3) James is even-keeled. He knew the market would eventually come back. So James never touched any of his money, and rode out the roller coaster.

- a. How much is James' 401k worth in May 2015?