

Do You See What I See?

Discovering financial reward in market risk



Nationwide[®]
*On Your Side*SM

Investments Retirement Insurance

Believing Is Seeing

Years ago, a large American shoe manufacturer sent two sales reps to the Australian outback to see if they could drum up some business among the Aborigines. Days later, the company received telegrams from both agents.

The first one read: "No business here. Natives don't wear shoes."

The second one read: "Great opportunity here! Natives don't wear shoes!"

When you think about it, your perception of something can often mean the difference between no opportunity and abundant opportunity.

Take, for instance, market risk.

Viewed one way, the mere notion of market risk can hijack your sensibilities, wreck you with fear and paralyze your ability to make sound investment decisions.

However, view market risk in a more objective light – as a natural part of investing – and you can face your fears head-on, weather the inevitable ups and downs with greater poise and confidence and even use it to help you build long-term financial security.

Bear!!!

No doubt, the extended bear market frightened a lot of people and, in turn, drastically changed the perception of equity investing for many, many investors.

As boom turned to bust, worry replaced confidence. Fear replaced opportunity. And finally, resignation replaced hope.

Facing these bleak conditions, many investors simply pulled out of the market altogether and placed their assets in more stable holdings (e.g. bonds, cash investments and fixed accounts) rather than suffer any more loss. Perhaps you did the same.

Problem is, this seemingly “safe” investment tactic has its own set of risks.

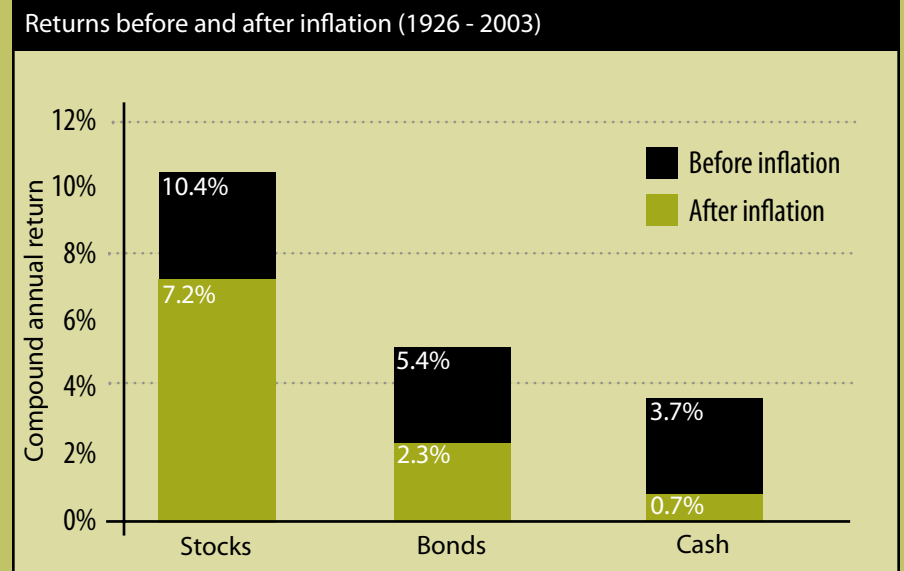
The Risk Of Playing It Too Safe

So what are you risking by playing it too safe? As you'll see, more than you might realize.

Indecent Exposure

When it comes to your long-term investment goals, shielding your assets from the volatility of equity investing may do more harm than good.

You see, volatility – the natural ups and downs of the market – represents the opportunity for gain as much as it represents the potential for loss. By eliminating your portfolio's exposure to market risk, you're also eliminating its exposure to the splendid returns the markets have historically yielded. (See chart below.)



Inflation Aggravation

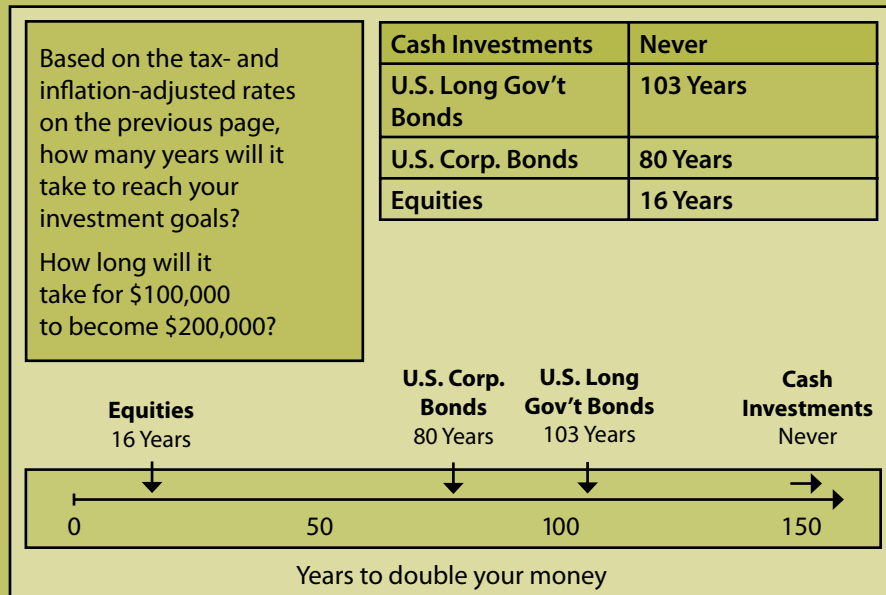
Inflation, the gradual increase in the cost of goods and services over time, can have a significant impact on the future purchasing power of your assets. As the diagram below illustrates, even a seemingly low inflation rate can erode the value of your assets over several years.

Will returns from your current investment strategy provide a hedge against inflation?

Don't Forget About Taxes

Taxes are another factor that can't be ignored. Together with inflation, taxes can gnaw away at your returns and leave you scratching your head at where your money went.

Bottom line? While playing it safe may keep you from suffering substantial losses, it may also keep you from realizing the type of returns that can help you cover the corrosive effect of inflation and taxes.



Do Bonds Have More Fun?

Not always. Though bonds are an attractive investment vehicle, providing valuable diversification, they are by no means a perfect solution.

Why? Because as interest rates rise, the market price of existing bonds declines. If rates continue to rise over the coming years – and it's likely they will – returns on bonds and bond funds will suffer dramatically.

If you're expecting to enjoy the added returns of declining interest rates and the freedom to sell long-term bonds at a gain, you may be disappointed.

Worth A Second Look

Now that you know the risks you face by playing it too safe with your investments, it's time to take a look at your portfolio – and a second look at equity investing.

Of course, don't look at getting back in the market as an all-or-nothing proposition.

Instead, see it for what it is: A vital part of an overall diversified and well-balanced portfolio and a strategic way to maximize return potential, minimize risk and help you reach your long-term financial goals.

Someday Is Not A Day Of The Week

Taking control of your future and financial well-being is too important to be left to chance or simmering on the backburner.

So do something about it. Not someday – but today!

Call your investment professional right now to discuss investment strategies that you can use to help you reach your long-term financial goals.

Securities offered by Nationwide Investment Services Corporation, member NASD. Nationwide Mutual Insurance Company and Affiliated Companies, Home Office: Columbus, OH 43215-2220. In MI only, Nationwide Investment Svcs. Corporation.

Nationwide, Nationwide Financial and the Nationwide Framemark are federally registered service marks of Nationwide Mutual Insurance Company.

© 2004, Nationwide Financial Services, Inc. All rights reserved.

NFM-2435AO



Nationwide[®]
*On Your Side*SM

Investments Retirement Insurance