



Why Emotions Aren't Effective: Lessons to be Learned

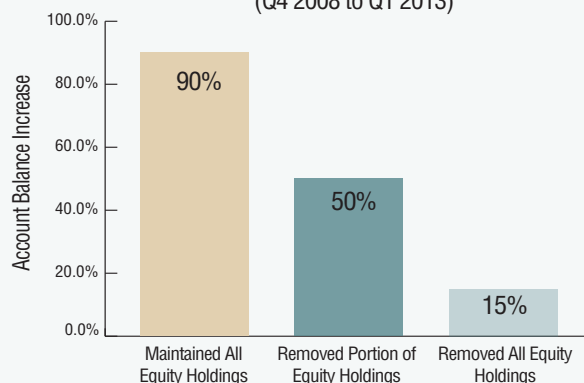
Investors who remained committed to equities over the past several years have reason to celebrate. Since March 9, 2009 the market, as measured by the S&P 500 Index, has soared over 160% as the Index topped 1800 for the first time in November 2013. Investors that remained in equities and captured handsome returns during that period were also the ones that had to weather severe headline risk. Corporate bailouts, surging unemployment and the sovereign debt crisis tested the mettle of even the most experienced investors. These investors maintained their long-term perspective without allowing emotion or panic guide their investment decisions.

Emotions Don't Pay

It is certainly understandable that the steep equity decline experienced during 2008 and 2009 may have caused some investors to abandon stocks and seek safe havens or remain on the sidelines. It is tempting to flee in fear; it is basic human nature to do so. However, while the stock market is admittedly volatile, there are always going to be a variety of geopolitical, fiscal and monetary factors that can potentially drive the stock market higher or lower. No investor can control those factors or the broad market's reaction to such market forces. What you can control is your response to the headlines. It may feel better in the moment of decline to be out of the equity market altogether, but if you act on that seemingly comforting moment, you could be jeopardizing your financial goals over the long term. Indeed, how you react to downward periods can make a big difference.

A recent Fidelity Investments' study showed that 401(k) participants who maintained their equity holdings from the fourth quarter of 2008 through the first quarter of 2013 saw their average account balance increase nearly 90% during that time period. Over the same time span, those who eliminated equities completely from their portfolios in the fourth quarter of 2008 or the first quarter of 2009, but returned to holding some portion of equities by the end of the first quarter of 2013 saw their average account balance increase approximately 50%. Those who eliminated equities from their portfolio in the fourth quarter of 2008 or the first quarter of 2009 and remained without any equity allocation through the first quarter of 2013 saw their average account balance increase less than 15%. Clearly, the differences in growth are dramatic.

Defined Contribution Plan Account Balance Increases
(Q4 2008 to Q1 2013)



Source: Fidelity Investments. All data based on Fidelity analysis of 20,600 corporate DC plans (including advisor-sold DC) and 12.3 million participants as of March 31, 2013, unless otherwise noted.

Lessons to Be Learned

Knowing that consistency pays is easy; holding on to that philosophy in a market downturn is difficult. After all, as the saying goes, "easier said than done."

Consider the following three key points when emotions tempt your decision:

- 1. Actions Do Have Consequences.** The numbers clearly prove that those investors who gained most through the most recent market downturn are those who did not react to daily market gyrations. Sometimes, the best action to take may be to take no action at all—just hold tight.
- 2. Time Can Be Your Friend.** If you experience a downturn and pull out of the market, you are making the losses permanent. History has shown that staying the course is generally a more prudent strategy, as long-term market gains have, over time, overshadowed shorter-term declines. Retirement savings and other long-term financial goals are usually achieved not in a few months or even a few years, but are built over decades of investing.
- 3. Balance Is Important.** While past performance is no guarantee of future results, a well-balanced mix of stocks, bonds and shorter-term investments is likely—over the long term—to provide better results and mitigate the impact of often short-lived corrections. Indeed, simply knowing that a well-balanced investment portfolio has a lesser chance of experiencing major fluctuations in any specific market cycle may help investors be less apt to be ruled by emotions—whether it be panic or euphoria, either one of which would most likely be unwarranted—as market conditions shift.

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Value Line Funds Can Help

Investors looking for help in building a solid portfolio, staying invested for the long haul, and making informed rather than emotional decisions may choose to take advantage of a professional investment manager's guidance. These investment professionals concentrate on a long-term strategy and view periods of uncertainty as moments of opportunity to purchase at a discount the securities of sound, well-run companies that they believe have the potential to outperform.

For more than 60 years, the Value Line Funds have been helping to secure generations' financial futures—based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics. As 2014 begins, we invite you to learn more about how the Value Line Funds may help you achieve your long-term financial goals.

Value Line Family of Funds Risk/Reward Relationship



It's Time to Make Your IRA Contributions for Tax Year 2013

As April 15th approaches, it's time to fully fund your IRA for tax year 2013. Whether you are just starting or a disciplined long-time investor, an IRA should be an important component of your retirement planning. What's new?

2013 Contributions

- **Increased Investment Opportunities.** Individuals can save up to \$5,500 through an IRA for 2013 (\$6,500 if you are age 50 or older). This new \$5,500 limit is the first change in IRA contribution limits since 2008. For the years 2008 through 2012, IRA contributions were capped at \$5,000. The \$5,500 IRA contribution limit for 2013 applies to traditional IRAs and Roth IRAs collectively. Taxpayers can choose to contribute either to a traditional IRA or to a Roth IRA or to both in any combination, as long as total contributions do not exceed the annual limit. If you have a self-employed IRA, your contribution limits may have changed in 2013 as well. The limits for SIMPLE IRAs have risen to \$12,000 in 2013, with catch-up contributions of \$2,500. Contribution limits for SEP IRAs work differently. You can contribute up to 25% of gross income up to a maximum of \$51,000 in 2013.

- **Increased Income Eligibility Limitations.** The IRS also increased the income limits for being eligible to deduct contributions to a traditional IRA and for being eligible to contribute to a Roth IRA, making more taxpayers able to participate and take full or partial IRA contribution deductions. In 2013, the amount you can deduct is reduced or phased out for individuals with modified gross incomes of between \$59,000 and \$69,000, or married couples filing jointly with modified gross incomes of between \$95,000 and \$115,000. If you are not covered by a workplace retirement plan but your spouse is, the deduction is reduced between \$178,000 and \$188,000.

For more information on IRA contribution limits and the new rules for tax year 2013, visit <http://www.irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics-IRA-Contribution-Limits>.

Make Your 2014 Contribution Now

There's another way you can take advantage of time. You can make your 2014 IRA contribution now and, by not waiting until the weeks before the deadline of April 15, 2015, gain an extra year of tax-deferred growth on your IRA investment.

For more information, call 800.243.2729 or visit www.vlfunds.com

*Managed by Reich & Tang Asset Management, LLC, an unaffiliated investment manager with EULAV Asset Management. The Fund is distributed by EULAV Securities LLC.

You should carefully consider investment objectives, risks, charges and expenses of Value Line Mutual Funds before investing. This and other information can be found in the fund's prospectus, which can be obtained from your investment representative or by calling 800.243.2729. Please read it carefully before you invest or send money. Past performance is no guarantee of future results.

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