

BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Make Rebalancing A Summer Event

Hot dogs, beach parties, and a portfolio review? Midyear is a good time to check your asset mix to make sure it continues to reflect your investment strategy. If it's paddled out too far from the dock, rebalancing can help you bring it back to shore.



In the Swim

Most likely, one of your first investing moves was to choose a mix of stocks, bonds, and cash investments for your portfolio that fit your time horizon, risk tolerance, and investing strategy. But, as market values rise and fall, the value of your investments and the percentages you allocated to each asset class can change. As a result, your portfolio may be exposed to more risk than you are comfortable with or may have become too conservative for your goals.

Rebalancing can restore your original asset mix. And, if your feelings about risk have changed, rebalancing can bring your portfolio in line with your current risk tolerance. Consider checking investment performance annually, semiannually, or even quarterly. If you find that your asset mix or your risk tolerance has changed, you'll be able to rebalance your investments to match your objectives.

Ride the Rebalancing Wave

One way to rebalance your investments is to direct a larger percentage of your new contributions to the asset class that's lagging behind and underrepresented in your portfolio. Another rebalancing strategy is to sell investments in the asset class that's doing well and buy investments in the classes that are struggling. Although you may be reluctant to sell investments when their values are rising, reminding yourself that you chose your asset allocation to reflect your risk tolerance, time horizon, and investment objectives can put rebalancing in perspective. Rebalancing a portfolio may create a taxable event if done outside a tax-favored retirement account.



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