

Regular rebalancing



Between home and work responsibilities, life can get pretty hectic. With all you have to do, you might forget about your retirement plan investments. But at least once a year, you should check your portfolio's asset allocation. If your allocation percentages have shifted significantly, it may be time to rebalance your investments.

✓ Managing your risk

"Asset allocation" refers to how you split your investment dollars among the major asset classes – stocks, bonds and cash alternatives. Asset allocation can affect your portfolio's risk level and your long-term returns. Generally, riskier investments, such as stocks, offer the potential for earning higher long-term returns than investments that are less risky, such as bonds and cash alternatives.

Your asset allocation should reflect your investment goals, risk tolerance and how long you have before you plan to retire. If retirement is still far off, you may be comfortable taking on more risk than if you plan to retire soon.

✓ Change happens

Over time, performance differences can cause your portfolio's asset allocation – and its risk exposure – to change. For example, suppose you allocate 70% of your portfolio to stock funds and they increase in value. After a year, stocks represent 80% of your portfolio. Your portfolio has become more aggressive than you originally intended.

✓ Restoring balance

There are two ways to rebalance your portfolio. One strategy is to transfer money out of the asset class that has become too big and into the asset class that has become too small. Another strategy is to invest new plan contributions in the underrepresented asset class until your portfolio is rebalanced.

Moving your money out of asset classes that have performed well recently may not seem logical. But asset classes that are performing well now could suffer declines in the future, and asset classes that are currently underperforming may rebound.

Rebalancing your investments periodically helps you maintain your long-term investment strategy. When rebalancing your portfolio, you may also want to consider reexamining risk tolerance and checking that your investment allocations are in line with your current risk tolerance.



If you have questions about your workplace retirement plan, please contact your Human Resources department or your retirement plan provider's customer service center.