



Your Money

Keeping The Right Balance For Your Retirement

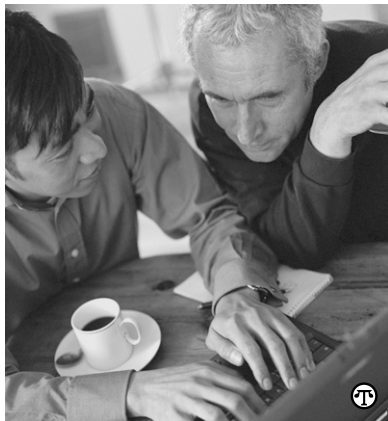
(NAPSA)—If you've been saving for your retirement and have a strategy for allocating your investments into the various asset classes—stocks, bonds, and cash—then it may be time to give your portfolio a “check-up.” Periodic portfolio check-ups can help determine if current market conditions have shifted your asset allocations too far from your initial strategy. If so, you probably need to rebalance your account.

Out of balance?

The returns you may get on your investments will vary depending on where your assets are allocated. When one asset class performs stronger or weaker compared with the others, your asset allocation may fall out of balance. Let's say you began saving for your retirement with an asset allocation of 60 percent stocks, 30 percent bonds and 10 percent cash. During the 1990s, the strong bull market may have caused the value of your stocks to rise faster than the value of your other allocations. As a result, you could have ended up with a much higher percentage of your total portfolio in stocks—say 80 percent stocks, 15 percent bonds and 5 percent cash. This allocation is much different from your established strategy.

Long-term effects

What difference does it make if your portfolio is balanced? If stocks are hot, shouldn't you take advantage of the situation and invest more heavily? If stocks are cold, shouldn't you cut back? This approach is called “timing the market” and the experts at Diversified Investment Advisors agree that it is rarely a successful tactic. Instead, you should develop a long-term investment strategy based on historical market perfor-



Successful investors often allocate money to different types of assets, such as stocks, bonds, and cash.

mance and how this performance fits into your personal financial situation. By determining an appropriate asset allocation—and adhering to it—you balance risk and return.

How to rebalance

At least once a year, compare your actual allocation to your target allocation. If your actual allocation has strayed significantly from your initial plan, you may want to take action.

You can rebalance your retirement savings account quickly by transferring some assets from the funds in the asset class that is over-weighted to the funds in the under-weighted class. Or, you can rebalance your account more gradually simply by redirecting the way your new contributions to the plan are invested.

Nevertheless, don't let market performance take this important decision out of your hands. You can use the planning tools and resources at www.divinvest.com to help you choose and save wisely for your retirement.