

A New Year Saving Strategy

There's no better occasion than the start of a new year to make sure your long-term investment strategy still works for you.

Start by making sure you're on sound footing with your assets allocated across the major asset classes: stocks, bonds and cash. As each class rises and falls on its own, allocation helps to manage risk by increasing your chances of having at least one investment performing well in any market climate.

Your allocation changes over time due to market ups and downs—and restoring it requires rebalancing. Review how you've further managed risk by diversifying within each of the investment classes. A combination of different types of stock funds, for instance, makes it less likely that your funds' stock holdings closely overlap. Keep in mind that diversification doesn't guarantee a profit or protect against a loss.

Life changes over the past year—say, marriage or a new child—may alter your current attitude toward risk, so adjust as needed.

Consider your age, too: Volatile, high-risk investments are better suited to those with years to ride out any market declines.

Your strategy is on target when your portfolio can grow enough to meet your financial goals and you can tolerate the risks.

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