

Rebalancing and Your Asset Allocation

The start of a new year is a good time for reviewing and rebalancing your retirement account. That means considering your investments' performance and making sure what you hold in your account matches the asset allocation you've chosen, based on your risk tolerance and time horizon.

Getting started.

If you find your portfolio has shifted from your original allocation, consider these rebalancing strategies:

Do it yourself.

You might rebalance all at once by reallocating some shares of the small-cap and international stock funds to the large-cap stock fund and the government bond fund. Or you could rebalance gradually by directing all new contributions to a large-cap stock fund and a bond fund until you return to your original allocation.

Consider shifting your allocation as you age.

As retirement approaches, you may choose to invest more conservatively, because you have less time to recover from short-term market swings. And when you stop working, you'll rely on your portfolio for income. One way to reduce your risk would be to invest less in growth oriented stock funds and more in income-producing bond funds. Remember, you can gradually shift your allocation toward more conservative investments, making small changes each year.

Adapting as your life changes.

Finally, remember that every major life change calls for a review of your investments, your risk tolerance and your asset allocation strategy.

As you begin your annual rebalancing, be sure to consider all your personal circumstances. Some important life events may cause you to reconsider your allocation. By contributing to your employer-sponsored plan at work, you've already taken the first step toward achieving a secure retirement. In the New Year, take the next step: resolve to review your investments and, if necessary, rebalance. And, if you have taken a break from contributing, make it a new year's resolution to get your savings back on track.

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