

## Frame Your Time

Age-appropriate investing is key

Don't make the mistake of buying or selling every time the stock market moves this way or that when you're saving for retirement. Decisions made in times of stress seldom prove to be very wise. More importantly, you've replaced your long-term investment strategy with a succession of knee-jerk reactions.

One of the best ways to keep from making rash decisions is to practice age-appropriate investing. That means your assets are generally allocated in ways that are appropriate to your age. You'd likely take the biggest risks when you're young, with years to make up for possible losses. You'd take fewer risks when you're older and retirement is looming; losses might cut into your retirement nest egg because you don't have as long a time to wait for a market rebound.

Here are sample asset allocations for different age groups developed by *SmartMoney*.<sup>1</sup> (They work for singles, too!) Keep in mind that these allocations are hypothetical and that you should always consider your investment objective, time horizon and risk tolerance before making any investment decision.

### **You're in your 30s.**

You have two children, the oldest of whom is five. Your retirement savings plan portfolio totals \$75,000 and you're adding \$5,000 a year to it. Here's a possible allocation for someone with a moderate tolerance for risk:

- Stocks 70%
- Bonds 20%
- Cash 10%

If your risk tolerance is low, consider cutting the stock allocation to 65% and increasing the cash allocation to 15%. If your risk tolerance is high, think about increasing the stock allocation to 75% and cutting the cash allocation to 5%.

### **You're in your 40s.**

Your children are teen-agers. Your retirement plan balance is now \$150,000 and you are adding \$10,000 a year to it. Here's a possible allocation for someone with a moderate tolerance for risk:

- Stocks 60%
- Bonds 25%
- Cash 15%

If your risk tolerance is low, you might cut the stock allocation to 55% and increase the cash allocation to 20%. If your risk tolerance is high, you might go to 65% stocks and 10% cash.

### **You're in your 50s.**

Your children are pretty much grown. Your portfolio now is up to \$250,000 and you are contributing the maximum to your plan each year. Here's a possible allocation for someone with average tolerance for risk:

- Stocks 55%

- Bonds 30%
- Cash 15%

If your risk tolerance is low, you may cut the stock allocation to 50% and raise the cash allocation to 20%. If your risk tolerance is high, you may raise the stock allocation to 60% and cut the cash allocation to 10%.

### **Stocks ... at any age**

If appropriate, you should include stocks, bonds and cash in your allocation at every stage of your life. By spreading your retirement savings plan contribution among all three main asset classes, you increase the likelihood of potential gains in your investments each year.

As you age, income becomes more important and volatility less tolerable. But you should always consider keeping a portion of your retirement portfolio in stocks, since stocks have the potential to deliver the growth you need to keep your nest egg ahead of inflation.

<sup>1</sup>Source: *SmartMoney.com*

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