

## IQ: Test Your Knowledge of Asset Allocation

1. I'm **25 years old** and market fluctuations make me very nervous. However, I do want to start investing money for my retirement. What types of assets should I consider investing in?
  - A. Bonds
  - B. Cash
  - C. Stocks
2. I'm 61 years old and will be retiring in a few years. What percent of my investments should be in stocks?
  - A. 20–30 percent
  - B. 40–50 percent
  - C. 60–70 percent
3. How often should I check my asset allocation?
  - A. Once a year
  - B. Twice a year
  - C. Once every two or three years
4. What should I do if my asset allocation has changed because of gains or losses in different investment categories?
  - A. Sell the losers and keep the winners
  - B. Rebalance your portfolio
  - C. Check it again in six months

### Answers

1. C. You've got at least 30 years until retirement. Even with the ups and downs of the stock market, stocks have historically offered the biggest long-term gains. Past performance is no guarantee of future results.
2. A. With your retirement fast approaching, it is time to consider reducing your risk. Your primary goal at this stage should be to protect the nest egg you've already accumulated, while maintaining a smaller component of stocks for continued long-term growth.
3. A. A good rule of thumb is to check your asset allocation annually. Main reasons: one or more assets may have changed more than the others (affecting your original allocation), or you may have had a life change (i.e., marriage, new job).
4. B. Gradually restore your original asset allocation by either 1) changing the allocation of future contributions or 2) considering a redistribution of the money currently in your retirement account.