

## Savvy New Year's Resolutions

The New Year is a great time to explore areas for personal growth. Here are a few suggestions for New Year's resolutions to help you grow as an investor.

### **Max out and more.**

Thanks to tax law changes made over the last 10 years, you can now contribute more to your retirement plan. And because your contributions grow tax-free, you could build sizable savings. Consider this: A workplace retirement plan participant who contributes the maximum to her plan for 30 years could potentially retire with more than \$1 million. Once she reaches age 50, she can make annual catch-up contributions, adding even more to her nest egg.<sup>1</sup>

### **Rethink your asset allocation.**

Is your asset allocation still right for you? Think about modifying it whenever you experience a life change like a new job, a raise, marriage, divorce or the birth of a child. You generally want your allocation to become increasingly conservative as you get older, with less in stock funds and more in bond funds and cash. Be sure to evaluate your asset allocation at least once a year.

### **Count up your cash.**

Once you tally up savings accounts, CDs and cash-equivalent assets, you might have more of your assets in cash than you realize. Given the changing nature of investment markets, cash has an understandable appeal. But it seldom delivers enough long-term returns to exceed the inflation rate—averaging returns of only 1.2 percent over the past 50 years, while inflation has averaged 4.1 percent.<sup>2</sup> Consider keeping cash to no more than 10 percent of assets and redirect anything more than that to stock and bond funds.

<sup>1</sup>Assumes 7 percent return, compounded annually. Taxes and investment fees not considered.

<sup>2</sup>Source: Ibbotson Associates, Stocks, Bonds, Bills and Inflation 2006 Yearbook. Stock returns are based on total returns of the Standard & Poor's 500 Index. Bond returns are based on total returns of intermediate-term government bonds. Cash returns are based on total returns of 30-day Treasury Bills.