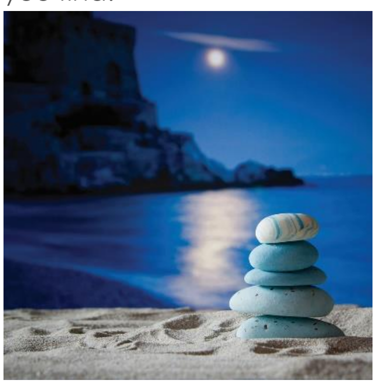
BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Back On Track-What You Need To Know About Rebalancing

In times of market change or uncertainty, it makes sense to revisit your portfolio's asset allocation strategy before making any snap decisions and to make sure that you are on track with your long-term financial goals. If you have not reviewed your portfolio lately, you may be surprised at what you find.



As strange as it may seem, even if you had not made a single adjustment to your portfolio over the past ten years, it's possible that your current asset allocation is nowhere near what it was, say, 10 years ago. Keep in mind that your investment portfolio should represent a diversified mix of stocks, bonds and cash equivalents selected specifically to match your individual financial circumstance.

That's why it is a good idea to review your portfolio at least once a year with a qualified financial advisor to determine whether it makes sense to rebalance or adjust your holdings and to ensure that your portfolio strategy fits your current investment needs and risk tolerance.

Evaluating Your Financial Situation

Ideally, adjustments to your portfolio's asset allocation strategy should occur gradually over the years based on such factors as age, goals, time horizon, and comfort with risk. As a rule of thumb, the further you stand from your financial goals, retirement, college, or home ownership, the larger the role stocks and stock funds may play in your portfolio.

- **Getting Started** (Ages 25 to 35) Depending on your goals, you may have enough time to afford the risks associated with an aggressive stock approach. Be prepared for contingencies by keeping enough cash on hand to pay for three to six months of living expenses. To simplify your life, consider establishing a systematic investment plan.*
- **Full Swing** (Ages 35 to 55) If your children are approaching college age, you may want to consider shifting a portion of their educational assets from stocks to more conservative investments. But with your golden years still in the distance, you may want to keep your retirement account weighted toward stocks.
- **Nearing Retirement**(Ages 55 to 65) If possible, avoid disturbing your nest egg, which could throw off your investment target and trigger early withdrawal

penalties. As your retirement picture becomes clear, it may make sense to start reducing some exposure to higher-risk equities and reallocate some assets to bonds.

- **Kicking Back** (Ages 65 and over) At this point, asset preservation will probably be your portfolio's main objective. If you've planned smartly, you may have enough financial flexibility to keep a small portion of your assets in higher yielding bond funds or equity-income investments.

Don't Panic

One of the biggest mistakes investors can make is to reallocate their long-term portfolio based on short-term market events such as interest rate movements and stock market uncertainties. Rather then letting external forces dictate your long-term decisions, get into the habit of reviewing your portfolio periodically with an investment professional to determine if a rebalance makes sense.

*Dollar cost averaging or periodic investment plans involve continuous investment in securities regardless of price. Consider your financial ability to continue to purchase shares during periods of high and low prices. Dollar cost averaging does not assure a profit and does not protect against loss in declining markets.

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