BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Reviewing Your Portfolio: Your New Year's Priority

Staying on top of your investments' performance is an essential step in the investing process. The beginning of a new year offers a good opportunity to determine whether your current investment mix is moving you in the right direction to reach your goals. If your investments aren't performing as expected — or if you're investing goals have changed — you'll be able to make adjustments to your strategy that can get you back on track.

More Than One Goal

It's not unusual to be investing for a variety of short- and long-term goals simultaneously. Your objectives might include buying a new home, paying a child's college tuition, and funding your retirement. Your goals can evolve over time. As you achieve some of your objectives, new goals may take their place. By reviewing your investments, you'll be able to determine whether your present strategy is likely to help you reach your current and future goals. Consider making changes to your asset mix if you don't think you're on the right path.

An Appropriate Benchmark

Comparing investment performance with that of an appropriate benchmark index provides an objective way to assess how well your investments are doing. If they've kept pace with — or even outperformed — their benchmarks, your portfolio is probably in good shape. But, if they're lagging behind, consider making some changes. An investment that consistently underperforms its benchmark can undercut your efforts to reach your goals.

Last Year Versus This Year

Use your investment and retirement account statements as tools to measure your progress. By comparing the value of your investments today with their value at the end of last year, you'll quickly be able to determine if they're worth more, less, or about the same as they were a year ago. If their value has dropped or remained stagnant, you may be lacking the momentum you need to reach your goals.

Shifting Assets, Shifting Risk

If one type of investment significantly outperforms your other investment types, it can upset your desired asset allocation. When that happens, your portfolio may be exposed

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to more or less risk than you want. If your investment mix has changed significantly, you may want to rebalance by selling some investments that have increased in value or directing more of your future dollars to the asset class(es) that lost ground. (Rebalancing in a taxable account can have tax consequences.)

The Importance of Diversification

Spreading your money among different investments — diversification — should be a critical component of your investing strategy. Concentrating all your investments in one asset class, such as all stocks or all bonds, won't diversify your portfolio. Instead, choose an appropriate mix of asset classes and market sectors. The advantage of diversification is that if one investment or type of investment isn't performing well, your other investments may help cushion your portfolio against major losses.

Another Thing About Risk

Investors may think of risk as the potential for losing money on an investment. But keep in mind that investing too conservatively presents a different kind of risk — the risk that you won't earn enough to reach your financial goals. Consider taking some risk with your investments to potentially provide the growth you need for a financially secure future.

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