BUILDING BLOCKS FOR RETIREMENT

Asset Allocation

It's All About the Asset Allocation Mix

A delicious bowl of soup or yummy batch of cookies doesn't just happen. It takes the right mix of ingredients. Professional chefs and novice cooks all know that too much of this or too little of that can affect the whole dish. The same can be said about your retirement investments.

Your Original Recipe

When you initially set up your retirement account, you chose a certain mix of investments -- your original asset allocation.[1] But because investment values are always changing, the way your account is allocated also changes. Over time, variations in the way your investments perform can cause your asset allocation to shift. The investments that have been outperforming the others will grow to represent a greater portion of your account. So even though you haven't initiated any changes, your account is no longer allocated the way you originally intended.

Measures of Risk

Changes in your asset allocation affect the level of risk in your account. Take stocks, for example. Since they are inherently riskier than the other major asset classes, when the portion of stock investments in your account grows, so does your exposure to risk. Alternatively, if the portion of your retirement portfolio invested in stocks declines, the resulting asset allocation is more conservative than you originally planned. Your exposure to risk is lower, but so is your potential for future gains, although past performance is no guarantee of future results.

Back in Balance

You can restore your original asset allocation and return your investments to a more comfortable level of risk by *rebalancing*. There are two ways to rebalance: Either sell some investments in the overweighted asset class and buy investments in the underweighted asset classes or change the way your new contributions are invested until your original asset allocation is restored.

What's in the Mix?[3]		
In the beginning	**Now**	**After rebalancing**
15% Cash alternatives[2]	11% Cash alternatives[2]	15% Cash alternatives[2]
25% Bonds	24% Bonds	25% Bonds
60% Stocks	65% Stocks	60% Stocks

Source/Disclaimer:

[1]Asset allocation does not guarantee a profit or protect against losses.

[2]Cash alternatives are short-term securities that can be readily converted to cash, such as U.S. Treasury bills. They may not be federally guaranteed or insured, and it is possible to lose money by investing in cash alternatives. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.

[3]The information in this table is hypothetical and used for illustrative purposes only. When choosing an asset allocation, you should consider your other assets, income, and investments (for example, your home equity, individual retirement account investments, savings accounts, and other retirement accounts) in addition to the balance in this plan.

PENTEGRA

701 Westchester Ave, Suite 320E, White Plains, New York, 10604