BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Steps to a Better Portfolio

Successful investing involves earning returns that will help you reach your objectives while managing your portfolio's exposure to risk. But investors can be their own worst enemies by reacting impulsively when investment values fluctuate.

As a long-term investor, you want to have realistic expectations for the investments you choose for your portfolio. Following the steps below may help you stay within your comfort zone.

Create a Strategy

Defining your goals and assessing your risk tolerance are the first steps in creating a workable investment strategy. Your plan should be one you can stick with, even during long periods of market turmoil.

Temper Your Portfolio's Volatility

Including some investments in your portfolio that aren't likely to have wild price swings can help keep its value on a more even keel during periods of higher market volatility. Curbing volatility can eliminate the tendency to make sell decisions based on emotion rather than reason during market downswings.

Be Realistic About Risk

All investments have risk -- from the risk that stocks will lose money to the risk that so-called "safe" investments won't keep pace with inflation. Maintaining a well-diversified portfolio can temper your risk exposure and help protect you from major losses.

Look at the Whole Picture

Although it's important to monitor individual investments, your portfolio's overall performance will determine the success of your investing strategy. At any given time, some investments may be doing well while others are lagging.

Set Sell Criteria

Establishing "triggers" that will prompt you to trade an investment can take emotion out of the picture and help you remain objective when making the sell decision. Before a purchase, decide on a percentage or dollar amount of gain or loss that will trigger a future sale. Then stick with your plan, no matter how the investment is faring at the time.

Source/Disclaimer:
Diversification does not ensure a profit or protect against loss in a declining market.

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