BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Monitoring Your Portfolio

Many people monitor their blood pressure daily; others check their weight and heart rate regularly. The want to know if anything has changed and if they have to take any actions in response to these changes. It's essentially a proactive stance designed to maintain good health, and it's an approach that you, as an investor, should think about applying to your portfolio.

What you invest in and how you allocate your assets may largely determine whether you'll reach your short- and long-term financial goals. Whether you own individual stocks and bonds or mutual funds,* you'll want to keep an eye on your portfolio to see that it is conforming to your strategy. Pay attention to the following issues.

Mutual Fund Holdings

Examine how your funds have performed over the last five- or 10-year period. When measuring a fund's historical performance, check its "average annual total return." This figure considers both income and price changes. Take a look at its "cumulative total return" as well. This figure shows how much a fund has earned over a measured period. You can find these numbers in the prospectus and in the materials provided by the fund's investment management firm.

Then dig a little deeper and compare the performance of your funds with other similar funds and to a comparable index. A fund's prospectus will also give you a "benchmark" index that you can use for comparison with the fund's performance. For example, a fund that invests mainly in large-cap stocks will probably use the S&P 500 index as a benchmark for evaluating its own performance since the S&P 500 is composed of large-cap stocks. Also compare your fund's return with the corresponding returns of other funds that have similar investment objectives.

If you discover that your funds have consistently underperformed other similar funds and their benchmark indexes for a sustained period, it may be necessary to look at other funds that may perform at a level consistent with your goals.

Stock Holdings

Share prices reflect the market's perception of a company's future prospects. Watch for any news or announcements related to a company's earnings prospects. Earnings revisions, new products, or changes in management can all impact an individual stock's performance both in the long and short term. Pay attention to any sudden increase or decrease in a stock's price. When a sudden, unexpected change occurs with the price of a particular stock, you'll want to determine what, if any, action you want to take with your shares.

If a stock's price is declining relative to the overall market, it may be a sign that you should examine the company more closely to see if you have overlooked something. Check earnings reports to see that they are in line with your expectations. Likewise, changes in a stock's dividend payouts should catch your attention and lead you to a reassessment of whether that stock still belongs in your portfolio.

Bond Holdings

Make sure you are receiving interest payments in a timely manner. Delays could be a red flag indicating that the debt issuer is experiencing financial problems. Also, review the credit ratings of the bonds in your portfolio. An increase in a bond's credit rating is a positive sign. Conversely, a decline in a bond's credit rating may cause the bond's price to fall. A significant decline is a cause for concern since it is often a sign that the interest payments may be at risk.

Call provisions give a bond issuer the opportunity to redeem the bond before maturity. Typically, bonds are called when current interest rates fall below the coupon rate. As this could affect your return, you may want to monitor call dates carefully.

Your Asset Mix

What worked once may not always work quite as well. You should monitor your overall portfolio's asset allocation at least annually to be certain it still reflects your goals, time horizon, and risk tolerance. As you near retirement, you may want to focus more on asset preservation than on growth. That might involve reducing the percentage of high-risk investments, like stocks and stock funds, that you include in your portfolio. In case of a downturn in the stock market, it could take more time than you have available to regain any losses your portfolio might suffer.

Your financial professional can work with you in keeping a close eye on your investment portfolio.

Source/Disclaimer:

**You should consider a fund's investment objectives, charges, expenses, and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.*

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