

Maintaining Your Balance

Eating a well-balanced diet can help you maintain your health. And having a well-balanced portfolio can help you have a healthy investment strategy. Just as too many salty snacks or sweet treats might not be good for you, a portfolio that is more aggressive or conservative than you intended might not be good for achieving your long-term goals. So it's smart to periodically check your retirement plan portfolio's asset allocation. If your allocation percentages have shifted significantly, it may be time to rebalance your investments.

In the Beginning

When you joined your employer's retirement plan, you selected investments for your account. How you split your investment dollars among the major asset classes — stocks, bonds, and cash alternatives — probably reflected your goals, risk tolerance, and time horizon. If retirement was a long way off, you may have been comfortable allocating a higher percentage to stock investments since taking more risk generally increases your potential for earning higher long-term returns.

As Time Goes By

Over time, performance differences can change the balance of your portfolio. For example, if the value of your stock investments declines, stocks may represent a smaller percentage of your portfolio than you had intended. As a result, your portfolio may be more conservative than you want. The opposite also can happen. Rising stock values may result in your asset mix being more aggressive than planned. When your portfolio's current asset allocation is not in line with your intended allocation, you're probably no longer following your well-thought-out investment strategy and may risk not meeting your goal.

Regaining Balance

It's fairly easy to rebalance your portfolio. You can sell investments in the asset classes that have become too large and buy additional investments in the asset classes that are now too small. Or, you could invest new contributions in the underrepresented asset classes until your portfolio is back to your ideal asset mix.

Regaining and maintaining your balance will help you keep your retirement plan investments on track toward reaching your financial objectives. Make a point to remember to regularly check your account and rebalance your investments when needed.