

## ADJUSTING YOUR PORTFOLIO AS YOU AGE

AS YOU APPROACH RETIREMENT, IT MAY BE TIME TO PAY MORE ATTENTION TO INVESTMENT RISK.

If you are an experienced investor, you have probably fine-tuned your portfolio through the years in response to market cycles or in pursuit of a better return. As you approach or enter retirement, is another adjustment necessary?

Some investors may think they can approach retirement without looking at their portfolios. Their investment allocations may be little changed from what they were 10 or 15 years ago. Because of that inattention (and this long bull market), their invested assets may be exposed to more risk than they would like.

**Rebalancing your portfolio with your time horizon in mind is only practical.** Consider the nature of equity investments: they lose or gain value according to the market climate, which at times may be fear driven. The larger your equities position, the larger your losses could be in a bear market or market disruption. If this kind of calamity happens when you are newly retired or two or three years away from retiring, your portfolio could be hit hard if you are holding too much stock. What if it takes you

several years to recoup your losses? Would those losses force you to compromise your retirement dreams?

**As certain asset classes outperform others over time, a portfolio can veer off course.** The asset classes achieving the better returns come to represent a greater percentage of the portfolio assets. The intended asset allocations are thrown out of alignment.<sup>1</sup>

Just how much of your portfolio is held in equities today? Could the amount be 70%, 75%, 80%? It might be, given the way stocks have performed in this decade. As a StreetAuthority comparison notes, a hypothetical portfolio weighted 50/50 in

equities and fixed-income investments at the end of February 2009 would have been weighted 74/26 in favor of stocks by the end of February 2018.<sup>1</sup>

**Ideally, you reduce your risk exposure with time.** With that objective in mind, you regularly rebalance your portfolio to maintain or revise its allocations. You also may want to apportion your portfolio, so that you have some cash for distributions once you are retired.

**Rebalancing could be a good idea for other reasons.** Perhaps you want to try and stay away from market sectors that seem overvalued. Or, perhaps you want to find opportunities. Maybe an asset

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*"Never put off  
'til tomorrow  
what you can  
do today."*

- LORD CHESTERFIELD

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class or sector is doing well and is underrepresented in your investment mix. Alternately, you may want to revise your portfolio in view of income or capital gains taxes.

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Citations:  
1 - [nasdaq.com/article/how-to-prepare-your-income-portfolio-for-volatility-cm939499](http://nasdaq.com/article/how-to-prepare-your-income-portfolio-for-volatility-cm939499) [3/26/18]

**Rebalancing is not about chasing the return, but reducing volatility.** The goal is to manage risk exposure, and with less risk, there may be less potential for a great return. When you reach a certain age, though, "playing defense" with your invested assets becomes a priority.

We will be closing early on Tuesday, July 3rd and closed on Wednesday, July 4th in observance of Independence Day.

**SUMMER OFFICE HOURS:**

**7:30AM – 4:30PM    MAY 1 – AUGUST 31**