Money Matters

Is your retirement Portfolio Diversified?

Maintaining a diversified portfolio is an essential component of good financial planning.

Diversification means choosing investments with varying degrees of risk and return characteristics to reduce your overall exposure to risk. If you put all your eggs in one basket, or in a single investment type, and that "basket" declines in value, your entire retirement savings will suffer. On the other hand, if you divide - or diversify - your retirement savings into different baskets, a drop in one investment type can be offset by others that may remain stable or increase. This means that a diversified portfolio will typically include some stock funds, some bond funds, and some cash equivalents. The percentage you invest in each of these investment types, or your asset allocation, will depend on your willingness to accept risk and your investment time horizon (the number of years until you retire).

Has your asset allocation drifted?

Once you choose your investments, be sure to monitor your asset allocation over time. Changes in the market can dramatically impact your exposure to risk. For instance, let's say that you originally invested 50% in stocks and 50% in bonds. If stocks outperform bonds over a period of time, you may find that you are invested 70% in stocks and only 30% in bonds. This asset allocation may be much riskier than you originally intended. To maintain your original 50%/50% balance, you need to regularly rebalance your account.

You may set up automatic rebalancing by logging in to your account at www.myplanconnection.com.

Are you approaching retirement?

As you approach retirement, it is important to review your asset allocation. As your investment time horizon shrinks, you have less ability to weather the ups and downs of the market. As a result, you may want to consider shifting your asset allocation to more conservative investments as you approach retirement.

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