

# INVESTING FROM THE HEART

During these times, we all seek to restore our sense of security. We look for meaningful, personal ways through which to do so. One of those ways is to continue investing with confidence in your own future. No matter how much world events and economic uncertainties challenge your resolve, it's important that you stay true to yourself and your investment strategy.

## Staying True to Your Investment Strategy

When you first enrolled in your 401(k) plan, you spent some time determining your investment time horizon, tolerance for risk, and investment return objectives. You then selected how you wanted your money divided up, or allocated, among the three major asset classes (stocks, bonds, and stable assets/cash equivalents). You've most likely been following that investment strategy ever since—each new contribution is allocated according to your original wishes.

With any extended market downturn, it's important to make sure that your current account balance reflects your original investment strategy. If you have a calculator and your most recent account statement handy, you can easily check it out. Use the following example as inspiration.

A few years ago, Julie determined that she was comfortable with about 70% of her portfolio in stock funds and the rest in bond funds. But over the past year, the stock market has experienced a significant decline, driving down the value of her stock funds to around 55% of her overall portfolio. Her most recent account statement shows that her investment

Julie is not currently positioned to benefit as fully as she intended from any potential gains in her stock funds.

**Rebalancing** is simply shifting money from one asset class to another in order to maintain your appropriate investment mix. In the example below, Julie may want to consider selling shares out of her bond fund. With the proceeds, she can buy more shares in her stock fund, to get things back up to around 70%. Julie may also want to employ dollar-cost averaging, which in this case means *rebalancing* her account gradually over a short-term period of time, versus “one fell swoop.”

As a rule, it's always smart to check your account at least annually to see if it needs to be *rebalanced*. You may also want to check with your plan administrator for details on transferring money between funds within your retirement account. During your annual check-up, be sure to review your risk tolerance, time horizon, and investment return objectives. Circumstances can and will change!

## Julie's Statement

Asset Class	Fund Name	Original Allocation%	Current Allocation%
Stocks	Acme Growth Fund	35%	25%
Stocks	Acme Value Fund	35%	30%
Bonds	Acme Income Fund	30%	45%
Total Stock Fund Allocation		70%	55%
Total Bond Fund Allocation		30%	45%

*Julie calculates her current allocation for each individual investment by taking the value of each investment as reflected on her most recent account statement and dividing each fund's total by her total account balance.*