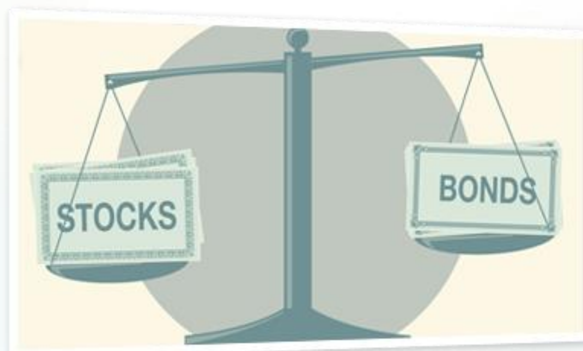
REBALANCING VERSUS ASSET ALLOCATION

Even the Best Athletes Need a Coach

If you've ever had any type of investment, then you are likely well aware that the market is constantly moving up or down. Because of that, the investments that you had initially chosen to help you meet your goals, years ago, may no longer be the best alternatives for you now.

In order to help investors grow their account, while at the same time keeping risk in check, an asset allocation strategy is often put in place. Asset allocation is a type of investment strategy that attempts to balance risk versus reward by adjusting the percentages of each asset in a portfolio, based on investment time frame, tolerance to risk, overall goals and objectives.

How Does Rebalancing Work



In many cases, maintaining an even distribution of assets - such as 50% stocks and 50% bonds - is also a key objective. Therefore, a rebalancing of the portfolio may need to take place from time to time. This, however, is not the same thing as asset allocation - even though the two can be related.

Rebalancing is actually the process of realigning the weightings of the assets in the portfolio. This can involve periodically buying and/or selling assets in the portfolio in order to maintain the initial desired level of asset allocation.

As an example, if your original asset allocation target was to have 50% stocks and 50% bonds, and the stocks performed well over a given period of time, then this may have increased the weighting of stocks to 60% or 70% reducing the weighting of the bonds. In this case, in order to return to your initial target 50/50 weighting, you would need to sell off some of the stocks, and purchase more bonds.

Allocating Assets through Life Cycle Funds

Asset allocation and rebalancing can take time and effort. This is why, throughout the years, many employer-sponsored retirement plans have touted the benefits of **Life Cycle**, or **Target Date Funds** (2020, 2030, 2040 funds). In fact, many companies resort to these types of funds as the "default" option simply based on a person's retirement date.

But just because something is easy, doesn't mean that it's the right option for everyone. In fact, using a "standardized" portfolio allocation can actually be detrimental to investors. Individual investors should ideally have **customized solutions** that are based on their specific goals and risk tolerance.

Simply rebalancing to your original target percentages isn't good enough as it does not take into consideration current market and economic conditions.

This often results in **more significant losses during bad markets.**

Instead of going at it alone, let 401(k) Maneuver rebalance your account for you. The primary objectives of 401(k) Maneuver are to...

- **Improve** account performance
- **Manage risk** to minimize loss
- **Reduce fees** that harm performance

We professionally manage your 401(k) for you by reviewing your account quarterly based on your risk tolerance, current economic and market conditions, and the menu of investment choices made available by your employer plan.

Then, we rebalance, as necessary.

401(k) maneuver™

A MOVEMENT REQUIRING SKILL AND CARE