Rebalancing Your Portfolio

A balance scale appears with its pans moving up and down, then leveling out. One pan holds a large sphere and the other holds two smaller spheres. The scale disappears, and the three spheres, labeled Stocks, Bonds, and Money Market, come into view and revolve around a central sphere with a dollar sign in its center. **Narrator:** "One of the most important strategies in investing is asset allocation, or spreading investment dollars among the three major asset classes -- stocks, bonds, and money market instruments."

The spheres come together and form a donut chart made up of three segments. The words Risk and Return appear to the left. The chart moves up and down as the segments change in size. **Narrator:** "Your portfolio's asset allocation can affect how much investment risk you are exposed to, as well as your potential returns."

The scene changes to a seesaw. It has a large sphere sitting on one side and two smaller spheres on the other. Below the seesaw, the words Stocks and Bonds appear. When the spheres change size, the seesaw quickly becomes unbalanced and the spheres fall to the ground. **Narrator:** "But over time, some of your investments may grow faster than others and cause your asset allocation to become out of sync with your financial goals."

A new donut chart appears. It's divided into three segments labeled 60% Stocks, 25% Bonds, and 15% Money Market. Next, the allocation changes to 50%, 30%, and 20%, and then it shifts to 75%, 20%, and 5%. The three charts appear together alongside their relative growth time frames. **Narrator:** "For example, say an investor begins with the allocation you see here. But look how it might have changed after five years, assuming varied market returns. Move ahead another five years and the allocation may have shifted again. As you can see, ups and downs in the market and the values of your investments can have a big impact on your portfolio."

The seesaw reappears. The side with the large Stocks sphere is resting on the ground, and the side with the smaller Bonds and Money Market spheres is suspended in the air. Money travels from the Stocks sphere to the Bonds sphere, and additional money is added to the Money Market sphere until the seesaw is in balance. **Narrator:** "By periodically rebalancing your portfolio, you can return to an asset allocation that reflects your current goals and appetite for risk."

Symbols of a desk calendar, wedding rings, and a stopwatch appear on the screen. **Narrator:** "You may want to review your portfolio's asset allocation at least once a year. As your priorities change or you get closer to retirement, you may need to alter your strategy."

The symbols flip over to reveal three donut charts, each divided differently. A cursor arrow hovers briefly over each chart, and then a finger points to one of them. **Narrator:** "A financial professional can help you figure out what asset allocation works best for you."

The final screen appears, which reads: Asset allocation does not guarantee a profit or protect against loss. Rebalancing a portfolio may create a taxable event if done outside of a retirement account. The example is for illustration purposes only and should not be construed as investment advice. Your results will vary.