

Rebalancing Your Portfolio

A man and a woman stand in front of a blackboard-like screen with the word Rebalancing written on it.

Man: “Creating an investment portfolio is not a ‘set it and forget it’ process.”

Woman: “Changes in your life may require you to update your portfolio so that your investment strategies stay aligned with your financial goals.”

Man: “Or the performance of investments in your portfolio may require you to make periodic adjustments to maintain your desired level of risk.”

Woman: “Why? Because the value of some of the investments in your portfolio may rise or fall more dramatically than others.”

Man: “When a portfolio changes like that, people say it has become out of balance.”

The screen displays a pie chart labeled Sample Portfolio, which is divided into equal shares of stocks and bonds. The stock portion grows to about three-quarters of the total portfolio, and then the original mix is restored. **Narrator:** “Assume you create a portfolio of 50% stocks and 50% bonds. If stocks perform well and bonds do not, your stock share could grow to be larger than your bond share. That would put greater weight on the stock side of your portfolio. It would be out of balance. One way to rebalance would be to sell some of your stocks and reinvest the proceeds in bonds. Or you could keep all of your stocks and buy more bonds until you have a 50/50 mix again.”

The man and the woman reappear.

Man: “Experts suggest that you rebalance at least once a year, taking care to maintain an investment mix that’s appropriate for your unique needs and goals.”

Woman: “But be careful not to make hasty decisions based on short-term fluctuations in the market.”

Man: “And stay focused on your long-term goals.”

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