



## MAKING CENTS

### PLANNER CAN HELP REBALANCE PORTFOLIO

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Spring is in the air and with the change of season, investors often turn their attention to rebalancing their portfolios.

Simply put, portfolio rebalancing is the process of selling some holdings and buying others to bring the portfolio back to its desired allocation of asset classes. An asset class can be broadly defined—such as stocks, bonds, real estate or metals. As certain positions grow and others decline in value, the portfolio strays from the original allocation and needs to be brought back into line with the investor's objectives.

It's only human nature to want to place cash into a "winner," but any investment professional worth his salt will tell you that a portfolio heavy in one or two assets and light in other potentially fruitful sectors needs some realignment.

Staying "too long at the fair" can place an investor at a disadvantage once that fast-climbing, red-hot asset eventually slows down and cools off. But most investors know that selling off a couple of those "good workers" and replacing them with budding winners is a tough decision.

That's where a financial planner with experience in portfolio rebalancing can set your mind more at ease. Of course, if someone is

advising you to re-balance investments too often, you may be getting advice that doesn't fit your style.

The purpose of rebalancing a portfolio is to attempt to have your portfolio always invested in a certain allocation that is suitable to you. Leaving well enough alone can be

the best thing for a portfolio that is performing well, but sometimes a shift in balance is necessary to replace investments not performing to your expectations.

It could also be to reflect a change in your risk tolerance;

perhaps you want to be more aggressive or more conservative.

Rebalancing is also appropriate when you or your adviser is trying to react to economic or market conditions. I'm not talking about trading in an attempt to time the market. I am talking about adjusting your portfolio to be in line with big picture trends such as international investing, the direction of inflation or interest rates.

It's wise to rebalance your portfolio on a consistent basis. Picking the same time each year is one way to be consistent; another way is rebalancing the portfolio after your allocations grow or decline by a certain percentage.

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