

The Importance of Asset Allocation

As we all know, market risk comes with investing. The question is, “What should we do to help offset the current market behavior?” While there is no easy fix or guaranteed option, there is the time tested tool of utilizing an asset allocation model that fits your risk profile and time horizon.

Asset allocation strives to strike a balance with your investment choices. A significant imbalance might expose you to different types of risk. For instance, if you’re too aggressive and you have a short time frame, you might be exposed to the vulnerability of the market. If you’re too conservative, you face the risk of not being able to outpace future inflation and risk outliving your money. That’s why it is critically important to revisit and review your allocation every couple of months to make sure you’re investments are properly allocated.

One common theme I have been hearing lately is “I’ll just wait for the market to recover so things can get back to normal” As optimistic as we all are for the market to recover, we still need to actively manage our investments regardless of market conditions. When I hear those comments I try to put it into perspective for the person I hear it from. Consider this, we all reminisce about how things used to be in some form or fashion. Things like how we were grew up, the type of music we listened too, the way we looked or whatever else we think about. Some changes were good and some things we miss. The constant was we changed with the times. I’m not doing or wearing much of the things that were once normal for me. If I did, they wouldn’t be the norm anymore. My challenge for you is to look at this market the same way. What we’ve experienced the last 18 months is not what we would consider normal but we can’t sit by waiting for things to come back to us. We must face them head on and make the best decisions we possibly can with the information we have.

With that being said, what steps are you going to take? Do yourself a favor and actively review your investments. If you’re current advisor is not helping you with this then I encourage you to give my office a call. We would be happy to sit down with you and review your investments, time horizon, and risk profile. We aim to measure our success on the success of our clients.