



Financial Focus: Keep your portfolio's balance in bear times

Q. With the bear stock market, is now a good time to rebalance portfolios?

Maintain your comfort level

Periodic rebalancing must be done to consistently maintain a portfolio's asset allocation or investment policy and to ensure that the portfolio continues to reflect the level of risk an investor is comfortable with and has the capacity to hold. Rebalancing is a risk-control strategy that reduces portfolio volatility over time; it is not primarily a return-maximization strategy.

Selling investments that have performed well and buying more of the assets that have performed poorly is often an emotionally difficult task for investors, as it seems counterintuitive. By adopting a disciplined rebalancing approach investors can effectively practice the fundamental investing principle of buying low and selling high. Rebalance, stay focused on what's important to you, and enjoy the freedom of investing by policy which has "a greater effect on the portfolio's return than either the sponsor or manager, or the transaction costs or timing and selection" (The Journal of Performance Measurement, Summer 1999, Page 43).

Richard B Komarek, AIF
highWAY Financial Networks
Redding

rkomarek@highwayfinancial.com



© 2009 Record Searchlight