

### Keeping an Eye on Your Portfolio

Smart investing involves more than giving a passing glance to your financial statements. It can be hard to keep track of mutual fund reports, IRA balances, Social Security updates, and your personal bank account statements. But in order to meet your financial goals, whether they are short-term investment needs or long-term retirement goals, it pays to keep abreast of how your investments are performing and to know where they are.

#### Rebalancing, it's a financial act:

A healthy retirement portfolio requires a balance of equities in various asset classes and bonds. But in order to keep profits in line with your expectations and future needs, it is necessary to rebalance your portfolio from time-to-time. Simply put, though it's not always a simple process, rebalancing requires a review of your entire portfolio and selling off investments that have done well and then investing earnings into areas that haven't done as well. If you don't rebalance when appropriate you will soon discover two uncomfortable truths of investing: First, your exposure to investment risk and volatility will increase dramatically; and second, a significant decline in the market or an extended bear market will rebalance your portfolio for you! So, what should you consider?

- Review your portfolio at least annually.
- If asset allocations have moved more than 4 or 5 percentage points in either direction from their target, some adjustment would be advisable
- Remember, rebalancing is not the same as market timing.
  - Rebalancing resets your portfolio to the appropriate target weighting of your assets. Rebalancing lets winners run but you are simply shaving a fractional amount and reinvesting in areas that are lagging.
  - Viewed another way, you are selling high and buying low and reducing year-to-year portfolio swings.
- Wait until January of each new year to rebalance and book capital gains. You'll have an extra 12 months to use the money before you need to pay taxes.

Rebalancing can be sobering, but does tend to stabilize a portfolio. Make sure that your money is working for you. If you have any questions, please feel free to give me a call to set up an appointment

**Peter R. Ryus**  
Financial Advisor  
**Smith Barney\***  
8444 Westpark Drive, Suite 100  
McLean, VA 22102  
Telephone: (703) 761-7684  
peter.r.ryus@smithbarney.com