TRA
The Retirement *Advantage*

## Asset Allocation Made Simple

As you accumulate retirement assets, the most important decision you need to make is how the assets are going to be invested. The allotting of your retirement assets across stocks, bonds, money market, and other investments is referred to as asset allocation. Your asset allocation decision, more than any other decision, will determines how fast your retirement account will grow. Is it difficult to do? Not really, but like most investment issues you do need to know some basics.

- **Invest for the Long-term:** Once you set your allocation, be patient. Discipline yourself to maintain your allocation through down markets as well as up markets.
- **Invest for Growth:** Equity mutual funds (stocks) need to be an important part of your allocation, even in retirement. Don't worry about short-term ups and downs in the stock market. Over time, stocks have usually outperformed all other types of investments while staying ahead of inflation. Make equity mutual funds the core of a long-term investing strategy.
- **Know Yourself:** Understand your tolerance for risk. Ask yourself, "Can I sleep at night with my retirement dollars allocated this way?" If the answer is no, make a change. Don't create undo emotional stress.
- **Diversified Your Portfolio:** This is what good asset allocation is all about. Don't put all your assets into one asset class. Spread them among different asset classes and investment styles. Doing so will spread your assets over an assortment of investments and should reduce your risk.
- **Review Annually:** Take the time once a year to review your life circumstances and long-term goals. Based upon the results of your review, adjust your allocation. Even if nothing has changed, you may need to rebalance your portfolio to bring it back into line with your allocation objectives.

You must make your own allocation decisions based upon your individual situation, but we can give you some general "rule of thumb" asset allocations based upon age. You can use these as a starting point. We assume retirement at age 65.

- Age: Less Than 40 -- 100% in equities. Of this, 40% invested in large cap. growth funds, 25% small cap. growth funds, 25% in large cap. value funds, and 10% international.
- Age: 40 to 50 – 80% in equities and 20% in fixed income. Of the equity portion, 40% invested in large cap. growth funds, 25% small cap. growth funds, 25% in large cap. value funds, and 10% international.
- Age: 51 to 55 – 70% in equities and 30% in fixed income. Of the equity portion, 40% invested in large cap. growth funds, 25% small cap. growth funds, 25% in large cap. value funds, and 10% international.
- Age: 56 to 60 – 50% in equities and 50% in fixed income. Of the equity portion, 40% invested in large cap. growth funds, 10% small cap. growth funds, 40% in large cap. value funds, and 10% international.
- Age: 61 to 65 – Reduce equities by 5% per year and increase fixed income by 5% per year so that at retirement you have 25% in equities and 75% in fixed income. Of the equity portion, 40% invested in large cap. growth funds, 10% small cap. growth funds, 40% in large cap. value funds, and 10% international.

Remember, this information is provided as general guidance on the subject of asset allocation and is not provided as legal, tax or investment advice. Individual situations vary. Please be sure you consult with your tax, legal or financial advisor for more detailed information and advice.