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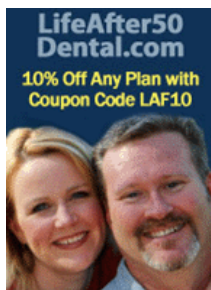
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A Balancing Act

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Five tips to rebalance your investment portfolio.

By Deborah Johnson

All around you are things that need to be balanced – the tires on your car, a load of towels in the washing machine, your checkbook. Taking a few minutes periodically to make sure they are balanced is important.

If you don't, you will soon become aware of the consequences. Your car will start to shimmy and shake, washing machines have been known to "walk" away, and you might start getting expensive overdraft notices. It is no different with your investments – allowing them to get out of balance will have an effect. And generally, it is not one that you will be happy about.

According to Mike Bolar, partner and senior portfolio manager at Stoker Ostler Wealth Advisors in Scottsdale, Ariz., the best way to stay on track with your investments – especially in volatile markets – is to rebalance regularly. "Rebalancing is a discipline. It keeps you on track and helps to overrule your emotions when it comes to investment decisions."

Rebalancing is a simple concept. Create a plan for how you want to invest your money – percentages of stocks, bonds, cash and different types of stocks, i.e. International vs. domestic, small vs. large, value and real-estate. Each of these should be assigned a weight and rebalanced regularly. Make sure you're comfortable with how much risk there is. Then, keep an eye on it and make sure that as the market fluctuates, your percentages stay consistent.

"It's particularly important in times like this when the markets are uncertain. It's tough, emotionally, not to panic, or at least get concerned," says Bolar. "That's why a solid plan, well-executed is so important in getting you through rough spots."

That means "buy low, sell high." If you decided to have 50 percent in stocks and they have grown to 60 percent, then sell off some and invest in bonds, for example. It may sound simple, but think back to the boom in tech stocks a few years ago. People wanted to hold on to stocks that were skyrocketing, not sell them off. But if you had stuck to the discipline of rebalancing you would have been partially protected when they took a nosedive.

As the bulge of Baby Boomers gets closer to retirement, it becomes more important to pay attention to how your money is invested. According to the Investment Company Institute (ICI), U.S. retirement assets topped \$16 trillion in 2006, up from \$5.9 trillion only a dozen years ago. When you look at retirement assets as a percentage of household assets, it is up from 22 percent in 1990 to 47 percent in 2006. In addition, investment in mutual funds has more than doubled since 1990, from 22 percent to 47 percent.

"It's more important than ever to know where your money is, who is handling it, and make sure you are familiar with how it is being managed," Bolar says. He offers these five tips for rebalancing:

1. Know what you have – it may sound obvious, but many people simply check a box and walk away. Find out what kind of fund you have. Is it being

rebalanced regularly? If you own an asset-allocation fund or lifestyle fund it will rebalance regularly. If not, see if there is an opportunity to move your money into a position where it can be rebalanced – not just left to flounder.

2. Choose wisely – investigate to make sure you are getting the best investment advice. If an investment firm gets a commission for selling certain funds, it might not be for you. Make sure that anything in your portfolio that is bought or sold is for your advantage, not the broker's.

3. Rebalance regularly – choose a calendar day to rebalance, if you are handling your own investments. It is no different than changing furnace filters or the oil in your car or the batteries in your smoke detectors.

4. Don't rebalance too often – there is such a thing as too much of a good thing. Rebalance at least once a year, but no more than quarterly.

5. Let go – if you are well-balanced, let go and your portfolio will work for you.

--Deborah Johnson is the director of marketing operations for WalshCOMM, a strategic marketing firm in Phoenix, Ariz. Courtesy of Stoker Ostler Wealth Advisors, StokerOstler.com.



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