

Wealth Management



Q: When should I rebalance my portfolio?

A: Following last year's above average returns in the US stock market, many investors' portfolios have drifted away from their original asset allocation target, which determines a portfolio's risk and return potential. Although moving money away from "winning" investments into those that lagged can seem counterintuitive, it can help disciplined investors buy low and sell high. Portfolios that are rebalanced regularly tend to suffer milder short term losses, especially when markets make sharp corrections, so it is especially important for investors at or near retirement. Selling appreciated securities in tax deferred accounts first, paying attention to short term vs long term capital gains, and adding new money to a portfolio to rebalance instead of selling securities can help avoid unnecessary taxes. Consult a CFP® Professional for help in determining the asset allocation and tax efficient rebalancing strategy appropriate for your goals, risk tolerance, and time horizon.

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