

Consumer Sense

INVESTING STRATEGIES

Several studies have shown that proper asset allocation is one of the most important factors in determining an investment portfolio's performance. Some studies indicate that the allocation of assets accounts for as much as 90% of a total portfolio return. This means that as little as 10% of a portfolio's return is dependent upon the individual stocks and bonds actually placed in the portfolio.

As defined by the Security Exchange Commission (SEC), "asset allocation" involves dividing an investment portfolio among various asset categories (such as stocks, bonds and cash) in a way that best aligns with an investor's risk tolerance and investment goals. Asset allocation may sound confusing but it really isn't. The asset allocation mix that works best for you depends on many factors, including your investment time horizon, age, income and how much risk you are willing to tolerate.

Assess Your Risk

Risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for potentially greater returns. Conservative investors generally do not like taking big risks when they invest and will usually forego investments that offer potentially higher returns in favor of investments that will preserve their original investment. Others are aggressive and willing to take larger risks as long as they have a chance for more substantial returns. Of course, many investors fall somewhere in between.

What type of investor are you? Does your investment portfolio currently reflect your risk tolerance? If unsure, the investment professionals at your credit union may be able to assist you in determining your level of risk tolerance.

Time Horizon

Simply put, your time (or investment) horizon is the proposed length of time for which you'd like to invest your money. In terms of investing for retirement, the longer the period of time until retirement, the more risk (and potentially higher

reward) you may be willing to accept. A longer time horizon may allow you to better weather the ups and downs of your investments and take advantage of the overall long-term growth potential they offer. Of course, your time horizon will also impact the way that assets are allocated within your portfolio.

The role of your financial advisor

Assessing your personal risk tolerance and determining the appropriate asset allocation mix to match will have a lasting impact on the type of retirement you enjoy. Because these decisions are so critical, consider working with the investment professional at your credit union. He or she may be able to assist you in determining the portfolio mix that best suits your needs and goals. To schedule an appointment with one of our investment representatives, ask a branch representative or go to our credit union website.

Source: <http://www.sec.gov/>

Have You Read...

STRATEGIES: All About Asset Allocation by Richard A. Ferri. This book goes beyond sound-bite financial columns and TV programs to explain asset allocation in terms that anyone can understand. It features straight-forward explanations of asset allocation, a review of the asset allocation process, and guidelines for implementing strategies and programs.

Here's How to Learn More!

We specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call us to set an appointment to review your investment objectives, and to discuss any questions you might have. We look forward to speaking with you!

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Do you have a topic you'd like to see covered in future Wealth News newsletters? Email your questions and comments to us at: justin.homolka@elevationscu.com

