ASEC
AMERICAN SAVINGS EDUCATION COUNCIL®

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A monthly savings tip from the American Savings Education Council (ASEC)—August 2013

Are Your Savings Investments Over-weighted?

Too much of anything, even good things can be bad—as anyone who has found it impossible to walk away from that second helping of dessert can attest. The same holds true with your retirement investments: Left too long unattended, the results can be unintended. Indeed, the investments in your retirement accounts may have been on a "binge" of late—it's time to put it up on that scale, and see if your account has become "over-weighted."

Different types of investments—different funds—grow at different rates over time. You may not have seen much gain in that money market fund, for example, while odds are that investment in the S&P 500 fund is looking pretty good. Even if all your investments increased in value, they have probably grown at different rates. Over time, those differences can add up—leaving your retirement account weighted differently than you intended between stocks and bonds.

Checking In

If you're like most people, you probably haven't checked back on your initial investment choices lately. In fact, many people don't ever check back—even on choices they made years ago. As anyone who has ever tried to squeeze back into clothes he hasn't worn for awhile can attest, things don't always fit as well as they used to!

Let's go back to those original assumptions you made when you chose which funds you would put your retirement money in. Odds are you were given a list of funds to choose from, and asked to fill out a form that indicated how much of your plan contributions you wanted to invest in each fund. Compare how your funds are spread today compared with your original instructions, and you will see the kind of difference that time—and the markets—can make to your investment mix, even if you don't do a thing!

Generally, what you will find is that funds that have performed well now make up more of your account balance than those that haven't done so well. Is that a bad thing? It seems smart to have more money invested in funds that have performed well. On the other hand, just like that second helping, you can have too much of a good thing in retirement investments as well.

Rethink your investment choices: Are the choices you once made still appropriate for your portfolio? If you're saving for a retirement that is decades away, you might want to consider putting more money into equity funds. On the other hand, if you're nearing retirement, you might want to consider an investment that is a bit more stable in the short term, such as cash or bond funds.

A different approach?: A professionally managed fund alternative, such as a target-date fund, may be a good solution. These funds are rebalanced on an ongoing basis by professional investment managers. Find out more HERE.

What's most important is to have a well-diversified account—one that doesn't put too many of your investment "eggs" in any one basket, even if that basket looks pretty good at present.