

# The Importance of Rebalancing

Spectrum Investor®  
Special Edition Newsletter



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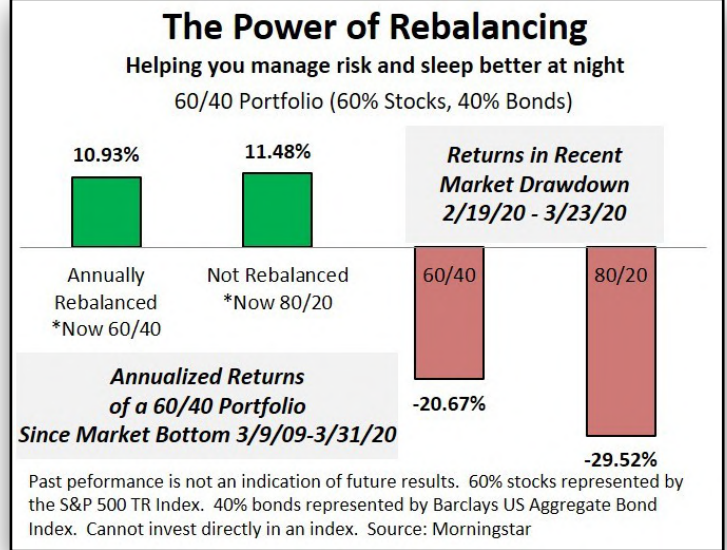
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A sense of control is a comforting feeling, and one that we all may be lacking right now as we navigate our way through these uncertain times. While there's no way to know what the markets will do from one day to the next and volatility is high, the one thing we can control is our risk tolerance, or how much risk you're comfortable taking in your retirement plan portfolio. You can be proactive in reviewing your investment allocation on an annual basis to make sure your risk tolerance is in line with your long-term goals or to make any necessary adjustments due to changing life events. Annually rebalancing is a great way to make sure your investments match your goals. Many recordkeeper websites provide the ability to set up automatic rebalancers, and if you are using target-date funds, those investments rebalance automatically.

**Why should I rebalance?** Over time, market fluctuations can change your asset allocation in such a way that it becomes out of sync with your risk tolerance. For example, when stocks rise or fall, the percentage of assets you have in stocks rises and falls accordingly. In order to keep the amounts of stocks and bonds in your portfolio consistent with your original percentages, you should consider rebalancing annually, which restores your portfolio to the mix you intended it to be. While past performance is not an indication of future results, historically speaking, April and May are generally good times to rebalance your portfolio.

Although rebalancing does not ensure a better return, it is likely to help reduce the volatility of your investments. As illustrated in the chart on the right, if you had never rebalanced a portfolio of 60% stocks and 40% bonds since the market bottom on 3/9/09, your portfolio as of 3/31/20 would be 80% stocks and 20% bonds. Although it is true that if you hadn't rebalanced your return would be 0.55% higher, is that worth a portfolio that takes on a higher level of risk than you're comfortable with?

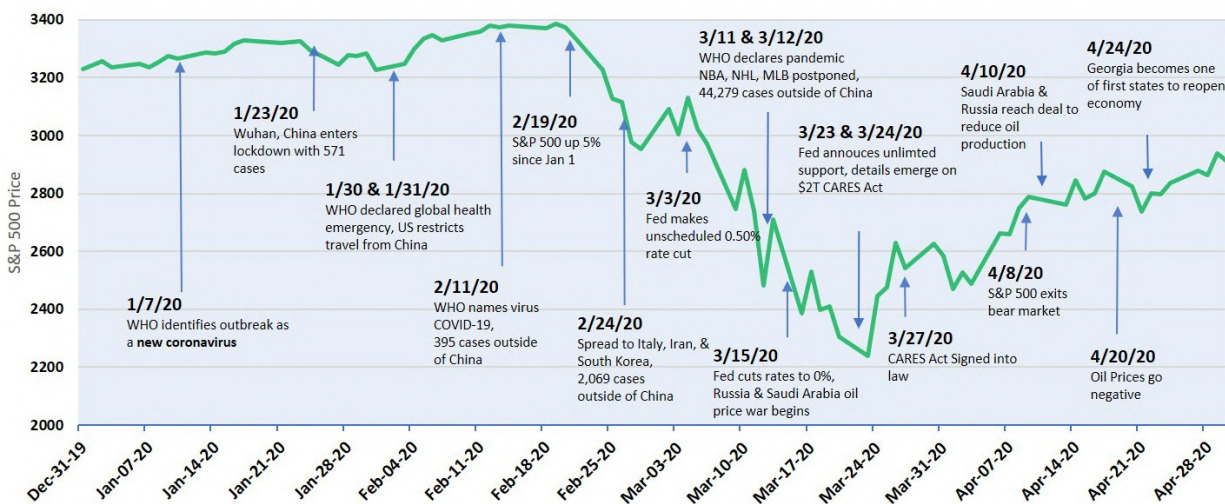


Rebalancing is one of the keys to successful investing over time. In addition to helping you sleep better at night, rebalancing can help keep you from making reactive decisions based on emotion when the stock market is going through the type of volatility that we're currently experiencing. This was the quarter that finally ended the longest bull market in U.S. history, reaching a low of -30% on March 23. We had just passed the 11-year anniversary of the start of the bull market on March 9, 2009. Below is a snapshot of how it happened, tracking the S&P 500 in the first quarter with select milestones along the way.

If you need assistance with rebalancing, please contact our office at 800-242-4735 and speak with an advisor. We are here to help.

**Important Disclosures:** This report is for informational purposes only and should not be construed as a recommendation or solicitation to buy or sell any security, policy or investment. **S&P 500 Index:** A market capitalization weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. **Barclays US Agg Bond Index:** Measures the performance of investment grade, US dollar-denominated, fixed rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

S&P 500 Price History in the First Quarter of 2020



**S&P 500 Summary:**  
Year to date through 4/30/20:  
-11.85%  
Year to date low:  
March 23: -30.4%  
Year to date peak:  
February 19: +5.1%

**COVID-19 Summary 4/30/20:**  
Globally:  
3,090,445 confirmed cases  
217,769 deaths  
United States:  
1,003,974 confirmed cases  
52,428 deaths  
China:  
84,373 confirmed cases  
4,643 deaths

Sources: Bloomberg, World Health Organization, Morningstar. Past performance is not an indication of future results. See benchmark disclosures.