

As the markets recover, rebalancing and dollar cost averaging can help get your portfolio back on track.

Wealth Management Insights June 2009

The rapid decline of the markets in 2008 and early 2009 caused many investors to shift their portfolio allocations to favor more conservative positions, including cash. Now, with the markets up nearly 40% from their 12-year lows in March, many investors are wondering how best to increase their exposure to equities again. For those seeking a way back to a more balanced or growth-oriented asset allocation, portfolio rebalancing and dollar cost averaging are time tested investment strategies that can be especially valuable in today's market environment.

What You Should Know:

1. Portfolio rebalancing is critical to long-term investment success

Establishing an ideal asset allocation (i.e., the mix of assets across stocks, bonds and cash) is only the first important step in creating and maintaining an effective investment portfolio. Regularly revisiting your portfolio and rebalancing your assets to your target allocation is important to keep your plan on track to your goals, especially amid rapidly changing market conditions.

Done properly, rebalancing involves:

- Moving existing assets from high-performing investments into lower-performing investments with upside potential, or

- Changing the way new assets are allocated to put more into lower-performing investments.

If you're like many investors who shifted to more conservative portfolio allocations over the past six months due to market volatility, rebalancing back to your target asset allocation now can help position your portfolio for the economic recovery ahead.

2. Dollar cost averaging is a smart way to expand your exposure to equities

Many investors know the best time to buy shares in stocks or mutual funds is ▶

Rebalancing back to your target asset allocation now can help position your portfolio for the economic recovery ahead.

Mark P. Zalewski, CRC® CFP®

Vice President – Senior Investment Consultant

414-298-2441

www.markzalewskifinancialadvisor.com

Listen for my "News About Your Money" business reports on AM620-WTMJ Mondays at 6:55 a.m. & 7:55 a.m., Thursdays at 7:55 a.m. and Fridays at 5:55 p.m.





when they are cheap and expected to rise in value. There are many investors who see both factors in play today. However, the volatility we're experiencing as the markets recover has some investors understandably cautious.

Dollar cost averaging is the principle of investing the same amount of money in a particular security at regular intervals over an extended period of time. By doing so, you essentially force yourself to purchase fewer shares when the security is performing well and more shares when it is undervalued. This strategy can be

extremely effective in volatile market conditions as it helps mitigate the effects of market fluctuation on average share price while gradually increasing an investor's position in a security.

What You Should Do Now:

If you haven't rebalanced your portfolio since shifting to a more conservative posture in 2008 or early 2009, you should consult your Financial Advisor to revisit your investment allocation and make sure you have the proper mix of assets to reach your goals. And, if you want to increase your exposure to equities as the economy recovers but remain concerned about daily volatility, you should work with your Financial Advisor to determine if dollar cost averaging makes sense for you. ■

Hypothetical Illustration

Investment Date	Amount Invested	Share Price	# Shares Purchased
January	\$100	\$10.02	9.980
February	100	9.75	10.256
March	100	10.43	9.588
April	100	9.65	10.363
May	100	10.51	9.515
June	100	10.80	9.259
July	100	9.85	10.152
August	100	10.70	9.346
September	100	11.15	8.969
October	100	11.59	8.628
November	100	11.33	8.826
December	100	11.20	8.929
Totals	Amount invested: \$1,200	Average price: \$10.58	Shares purchased: 113.811 Average cost per share: \$10.54

By implementing a dollar cost averaging strategy, you will buy fewer shares when security prices are high, and more shares when security prices are low.

The chart shown above is intended to illustrate the potential price-per-share benefits of dollar cost averaging for a hypothetical stock over a period of time when the markets fluctuated.

Rebalancing and dollar cost averaging does not ensure a profit or protect against a loss.