

Portfolio rebalancing is returning your portfolio to the proper mix of stocks, bonds and cash when they no longer conform to your goals. Most investors have done a mid-year portfolio review are likely to find that your domestic equity holdings have grown past their target allocations. It is often tempting to leave the portfolio alone however, the purpose of establishing allocation is to achieve the best return with an acceptable level of risk. As a rule of thumb when your assets drift 5% or more away from your allocation, you should rebalance. This can occur naturally or over time following abrupt rise or decline in one or more asset classes. Portfolio rebalancing is an important part of effective investment strategy. Consider reviewing your portfolio at least once a year in terms of rebalancing. More frequently if you've had a significant gain or loss in any asset class.