

REBALANCE YOUR PORTFOLIO

Even if you didn't make any major changes to your portfolio recently, your investments likely have drifted from your target allocations since the start of the bear market. The resulting imbalance means your allocation could have less long-term growth potential and you may want to rebalance to restore your target investment mixes.

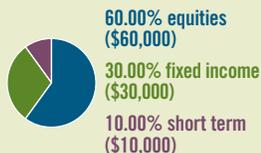
The Need to Rebalance

To understand how allocations can shift over time, consider a hypothetical \$100,000 portfolio allocated across 60% stocks, 30% bonds, and 10% short-term investments

on December 31, 2007. By the end of the especially volatile year that followed, fixed income and short-term investments would have represented much larger portions of your portfolio than you had originally intended. At the same time, equities would have accounted for substantially less than your 60% target. As a result, your portfolio may have had significantly less long-term growth potential than it had a year earlier. The charts at left illustrate the changes in your allocation

A Gradual Shift

Allocation as of December 31, 2007*



Allocation as of December 31, 2008*



*Total monthly returns for stocks represented by the S&P 500 Index, bonds represented by the Barclays U.S. Aggregate Bond Index, and short-term investments represented by the 30-day Treasury Bill Index from Morningstar/Ibbotson Associates.

target. For retirees, rebalancing also could have been accomplished by taking any necessary income withdrawals from fixed income and short-term investments to restore the appropriate allocations.

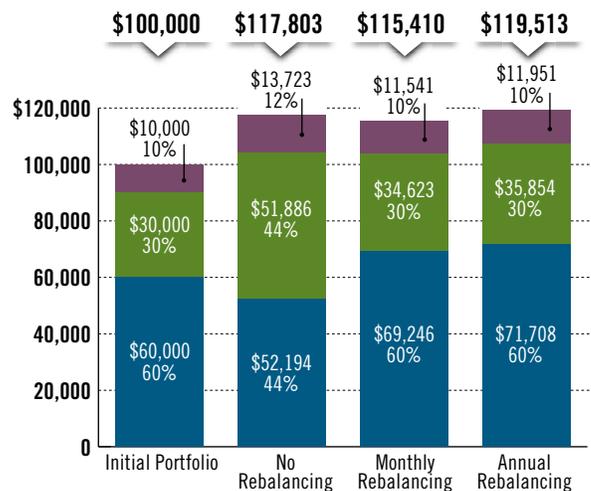
*Total monthly returns for stocks represented by the S&P 500 Index, bonds represented by the Barclays U.S. Aggregate Bond Index, and short-term investments represented by the 30-day Treasury Bill Index from Morningstar/Ibbotson Associates.

Comparing Rebalancing Strategies

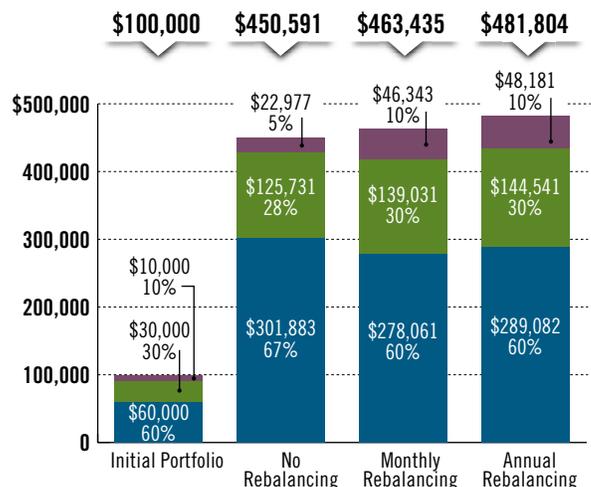
The charts below illustrate investment results for a hypothetical \$100,000 portfolio allocated to 60% equities, 30% fixed income, and 10% short-term investments over 10- and 20-year periods ended December 31, 2008.*

■ Stock ■ Bond ■ Short term

At the end of a 10-year period, annual rebalancing provided the highest account balance. Monthly rebalancing stuck closely to targets but produced slightly lower returns. And while the portfolio that was never rebalanced did increase in value, its asset mix drifted significantly from the target, which could affect future growth potential.



After 20 years, the differences were more pronounced. The portfolio that was rebalanced annually was worth \$31,213 more than the one that was never rebalanced. Monthly rebalancing did maintain its target allocations; however, it produced smaller balances than annual rebalancing.



Charts are for illustrative purposes only and do not represent the performance of any particular investment. Past performance cannot guarantee future results.