

Spring Cleaning Your Portfolio!

Ahhhh! Can you feel it in the air? It's March, and spring is almost here. Even with this year's mild winter, we all can't wait for the warm weather to arrive so we can venture outdoors. However, before we can hit the golf course, take a bike ride, or hike through the woods, most of us have to take care of a little spring cleaning. Yuck! Unfortunately, it is a necessary evil. Most people take the time to wash the floors, clean out the garage, and maybe even pay someone to do the dreaded windows. Once your house is clean, how about taking the time to do a spring cleaning on your investment portfolio?

Just like cleaning your home, you should take some time to spruce up your finances before the weather gets too nice and your schedule takes on a life of its own. Ask yourself the following questions. They will help you focus and guide you through a portfolio cleansing.

When was my last review? Many people feel it is more painful to review their financial statements than it is to wash windows. If you haven't looked at your statements, then prepare to do so. The end of the first quarter is just around the corner, so your next statements will be arriving soon.

How have my investments performed since my last portfolio review? Your investment return over the last 1, 3, 5 and 10 years is important to monitor. While past performance is no guarantee of future results, be mindful that the answer to this question leads to further important questions noted below. Performance matters, and needs to be checked regularly!

Were the deductions or contributions I made into savings last year enough? The amount of money you set aside for the future is critical. If you are not contributing enough, then you have to ask yourself some even tougher questions.

Based on current savings, current contributions to retirement plans and past returns, will I have enough to live on in retirement if the same investment returns hold true? If you are already retired, how long will your retirement funds last if your present investment returns stays the same? Doing a future growth projection is essential to any review. You can't hit a target that you can't see!

What is the current balance between stocks, bonds and savings in my portfolio? The balance between your equity investments and bonds will have a great effect on your overall return. The balance can help reduce the overall volatility of your portfolio. If the portfolio is weighted too much in either direction it will affect long-term performance. Ultimately, it could result in large losses or a shortness of funds when needed.

Does my current portfolio meet my risk tolerance? Never invest in financial products that you don't understand or that make you sick to your stomach (aka too risky). If you can't handle the ups and downs of the market, then your portfolio needs to be adjusted. The higher the risk, the higher the potential reward or loss!

Should my underperforming investments be reduced or removed? A stock, bond or mutual fund needs to be evaluated on a regular basis. An underperforming investment may be positioned well for the future, but then again it may not.

How will outside forces potentially affect my portfolio? The upcoming political elections will affect the economy and interest rates. With this being an election year, there could be a change in the tax system as well. While nobody knows exactly what will happen, we do know that when interest rates rise, this may affect your portfolio. If taxes are reduced, this may affect your portfolio as well. Anticipating these events will help you to determine future exit strategies.

It is often said that ignorance is no excuse. This is especially true when it comes to your finances! If you don't take the time to clean up your finances, then there is no one to blame but yourself. So, while someone else is cleaning your windows, take a few moments to review your finances and give your portfolio a good spring cleaning.