

2020 Financial Planning Tips

Rebalancing Your Portfolio in Higher Volatility Markets

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Keep your asset allocation aligned with objectives.

Financial market volatility has been soaring in 2020, and there's no indication that an end is in sight. The unpredictable environment underscores the importance of having a well-thought-out investment strategy in place, one that recognizes the need to rebalance the portfolio as circumstances warrant.

Portfolio asset allocation and rebalancing

Asset allocation — the mix of stocks, bonds and other asset classes in a portfolio — is one of the most important factors in determining long-term investing success. An investor's original target allocation is determined after assessing their unique objectives, time horizon and risk tolerance. Since the different asset classes do not move in lockstep as time passes, an investor's portfolio mix can become misaligned with the target allocation. Rebalancing is the process of adjusting the portfolio to get it back to the desired positioning.

The target allocation may need to be revisited from time to time to accommodate changes in an investor's objectives, time horizon and risk tolerance. During times of market volatility, it makes sense to first determine if the current target portfolio is still appropriate to meet an investor's needs. If the target portfolio is still the same, it may now be time to rebalance away from outperforming assets and into assets that have declined in value and have good prospects.

Benefits of portfolio rebalancing

Portfolio rebalancing can deliver several benefits. Specifically, it can:

- Help you manage investment risk.
- Improve the portfolio's positioning for the future.
- Enable you to acquire some investments at a discount during a market decline, keeping in mind that the long-term prospects of any company must still be attractive.
- Potentially increase wealth and reduce subsequent portfolio volatility.
- Be combined with other strategies such as tax-loss harvesting.

Identify rebalancing opportunities

It's important that you feel confident that your investment plan contemplates the possibility of market downturns. At Key Private Bank, we closely monitor market developments to identify rebalancing opportunities and make sure that each client's portfolio allocation is aligned with their expectations and objectives.

Keep in mind that selling securities can have tax consequences depending on the account type, and there are transaction costs involved. Efficiency is paramount, and you should always consult your advisor to discuss what is appropriate for your specific situation.

See reverse for disclosure

For more information, [please contact your Key Private Bank Advisor.](#)

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