Is Your Portfolio Out of Balance?

How would you rate your current portfolio? In an "up" economy, if you are like many investors, you'd probably have a hard time coming up with any negative adjectives. After all, when there's significant growth in the stock market, many investors may find themselves smiling. But, even when it's easy to give your current portfolio a big "thumbs up," it is also possible that your portfolio's composition may be out of sync with your goals and objectives. Here's why. . .

It All Starts with a Target

One of the fundamentals of sound portfolio management is the concept of **asset allocation** . This process involves dividing your portfolio among the three major asset classes— **equities, fixed-income securities,** and **cash** . The theory behind asset allocation rests upon the unique characteristics of each asset class, which rarely rise and fall at the same time. By combining different asset classes, you can help reduce risk and improve the overall return of your portfolio while maintaining consistency with your goals and objectives.

It is a simple and sound principle in theory, yet it requires *diligence* in practice. Formulating your own asset allocation mix is fairly straightforward. However, the true challenge comes in *maintaining* an asset allocation mix that reflects your personal objectives—that is, your tolerance for **risk,** your **return** and **liquidity needs,** and your **time horizon** . Persistence is required over time because a significant fluctuation in one asset class may alter the original composition of your portfolio.

For instance, suppose that you established your asset allocation target five years ago, with 60% in equities, 30% in fixed-income securities, and a 10% cash reserve. You felt confident that this asset allocation mix best reflected your investment personality at the time—somewhere in the middle of the road of risk tolerance. Now, your portfolio has an entirely different look. Stock market gains have boosted the equity portion of your portfolio so that it now accounts for 85% of your portfolio.

Regular Reviews Go a Long Way

Now it's time for reflection and reassessment. Are your goals and objectives the same as they were five years earlier? Does your current mix match your current needs? At first glance, you may be inclined to leave things alone. Things are going well, so why change now? You need to remember, however, that unless your goals have changed substantially, or you have had a dramatic change of heart regarding risk tolerance, you should

rebalance your portfolio to its *original* allocation. Because, over the long run, an asset allocation mix that does not accurately reflect your investment personality has a higher

probability of failing to meet your needs and goals. Don't let lofty returns skew your expectations. Be prudent and readjust your portfolio by moving some of your equity gains over to fixed-income securities. This shift will rebalance your portfolio to reflect your target allocation.

It is a good idea to get into the habit of periodically reviewing your portfolio. Doing so at least once per year is probably enough for the average investor. Yet, some investors prefer to reassess their portfolios when one category increases or decreases by more than 5%.

Remain True to Yourself

As time goes by, and you move closer to meeting your desired goals, your asset allocation mix should slowly move from an equity dominated balance to one weighted toward fixed-income securities. Another wise step is to seek the assistance of a qualified professional, whose objectivity can be invaluable in helping you wisely assess your current portfolio. In the long run, being realistic about *who* you are and *what* you really want will go a long way in helping you attain the proper balance in your portfolio.

IVSASSA2-X

LITCHFIELD FINANCIAL

Let's Have a Conversation

Paul Litchfield, CPA, MBA

Financial Advisor

Five Star Wealth Manager* · Top 100 in Finance Magazine*

OFFICE	(617) 863-2147
MOBILE	(781) 552-9475
EMAIL	litchfieldfinancialgroup@claroadvisors.com
WEB	www.litchfieldfinancialgroup.com
ADDRESS	100 High Street, Suite 950, Boston, MA 02110

Claro Advisors, LLC D/B/A Litchfield Financial, LLC

*See award disclosures on the following page.

Disclosures

Disclosures: Litchfield Financial provides investment advisory services through Claro Advisors LLC (“Claro”) a registered investment advisor. Claro Advisors LLC ("Claro") is a Registered Investment Advisor with the U.S. Securities and Exchange Commission ("SEC") based in the Commonwealth of Massachusetts. Registration of an Investment Advisor does not imply any specific level of skill or training. Information contained herein is for educational purposes only and is not to be considered investment advice. Claro provides individualized advice only after obtaining all necessary background information from a client. This report is not a financial plan and is not intended as a solicitation or advice to purchase specific investments, but the information provided can assist you in evaluating your current financial situation and your ability to achieve your investment goals. Any projection of investment outcomes is hypothetical in nature, does not reflect actual investment results, and is not a guarantee of future results. Similarly, other information regarding various investment outcomes are hypothetical in nature, do not reflect actual results and are not guarantees of future results. The projections may not include all taxes applicable to your situation. Past performance is no assurance of future results. Investments may fluctuate and lose value, and unexpected market movements may result in changes in rates of return and anticipated performance. Claro does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation. Claro will provide all prospective clients with a copy of our current Form ADV, Part 2A ("Disclosure Brochure") prior to commencing an Advisory relationship. Please contact compliance@claroadvisors.com or toll free at 800-604-2838 with any questions.

*The Five Star Wealth Manager award, administered by Crescendo Business Services, LLC (dba Five Star Professional), is based on 10 objective criteria. Eligibility criteria – required: 1. Credentialed as a registered investment adviser or a registered investment adviser representative; 2. Actively licensed as a registered investment adviser or as a principal of a registered investment adviser firm for a minimum of 5 years; 3. Favorable regulatory and complaint history review (As defined by Five Star Professional, the wealth manager has not; A. Been subject to a regulatory action that resulted in a license being suspended or revoked, or payment of a fine; B. Had more than a total of three settled or pending complaints filed against them and/or a total of five settled, pending, dismissed or denied complaints with any regulatory authority or Five Star Professional’s consumer complaint process. Unfavorable feedback may have been discovered through a check of complaints registered with a regulatory authority or complaints registered through Five Star Professional’s consumer complaint process; feedback may not be representative of any one clients’ experience; C. Individually contributed to a financial settlement of a customer complaint; D. Filed for personal bankruptcy within the past 11 years; E. Been terminated from a financial services firm within the past 11 years; F. Been convicted of a felony); 4. Fulfilled their firm review based on internal standards; 5. Accepting new clients. Evaluation criteria – considered: 6. One-year client retention rate; 7. Five-year client retention rate; 8. Non-institutional discretionary and/or non-discretionary client assets administered; 9. Number of client households served; 10. Education and professional designations. Wealth managers do not pay a fee to be considered or placed on the final list of Five Star Wealth Managers. Award does not evaluate quality of services provided to clients. Once awarded, wealth managers may purchase additional profile ad space or promotional products. The Five Star award is not indicative of the wealth manager ’s future performance. Wealth managers may or may not use discretion in their practice and therefore may not manage their clients’ assets. The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional or this publication. Working with a Five Star Wealth Manager or any wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment by Five Star Professional in the future. For more information on the Five Star award and the research/selection methodology, go to fivestarprofessional.com. 3,580 Boston wealth managers were considered for the award; 463 (13% of candidates) were named 2020 Five Star Wealth Managers. 2019: 3,619 considered, 566 winners; 2018: 2,819 considered, 532 winners; 2017: 2,467 considered, 623 winners; 2016: 2,530 considered, 632 winners; 2015: 3,542 considered, 801 winners; 2014: 1,707 considered, 655 winners; 2013: 2,362 considered, 713 winners; 2012: 2,591 considered, 454 winners.

*The Top 100 in Finance award is designated by the Top 100 Magazine. The Top 100 Magazine utilizes proprietary software, which employs an algorithm to search a variety of online resources for industry-specific terms and key words. These resources include social media, blog posts, peer reviews, and Google indices. Once the software has compiled a preliminary list of qualified candidates, the Top 100 Magazine performs a manual analysis to verify top results and make final selection. The selection criteria is based on who are financial advisors or wealth managers, which meets the following criteria: 1. Registered with the SEC as a registered investment adviser or a registered investment adviser representative; 2. Not more than 1 filed complaint and never been convicted of a felony. Once selected, the Top 100 Magazine sends approximately 140 invites for the magazine, where final section is on a first come first serve basis. Those selected for the Top 100 Magazine may purchase additional profile ad space or promotional products, but do not make any initial or additional fees for the award. The Top 100 Magazine selection is not indicative of the wealth manager ’s future performance or an endorsement by the magazine. Working with a Top 100 Magazine advisor or wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment in the future.

Copyright © 2015 Liberty Publishing, Inc. All rights reserved Distributed by Financial Media Exchange Distributed by Financial Media Exchange.