Review Your Investment Objective

Periodically reviewing your investments to ensure they are on the right track is an important and meaningful measure in working toward your financial goals. Here is a simple but valuable way to get more from your investment strategy. When your next brokerage statement arrives, check your account profile to make sure that all the sections are accurate and up to date. This includes your investment objective, risk tolerance, and time horizon.

Investment objective. Focusing on your investment objectives helps us align the other parts of your investment strategy – risk tolerance, time horizon, and liquidity needs – appropriately. Our asset allocation models are grouped within three overarching portfolio orientations:

Income: Portfolios that emphasize current income with minimal consideration for capital appreciation. They usually have less exposure to historically more volatile growth assets.

Growth and Income: Portfolios that emphasize a blend of current income and capital appreciation. They usually have some exposure to historically more volatile growth assets.

Growth: Portfolios that emphasize capital appreciation with minimal consideration for current income. They usually have significant exposure to historically more volatile growth assets.

Risk tolerance. Everyone is different when it comes to factoring risk into their investment strategy. Each investment objective can be tilted toward assets that tend to be more or less volatile. Risk tolerance is the amount of risk you're willing and able to accept in order to help achieve your financial goals. Risk tolerance should be viewed along the following continuum:

1. Conservative investors accept the lowest amount of risk.
2. Moderate investors seek a balance between stability and appreciation in their portfolio.
3. Aggressive investors accept a higher risk for losses while seeking greater potential for returns.

Time horizon. How long do you plan to invest before you'll need the money? The answer, of course, depends on your stage in life and your goals. Your time horizon is the expected number of months, years, or decades you plan to invest toward your financial goals.Time horizon is generally expressed as:

- Immediate – Less than 1 year
- Short-term – 1 to 3 years
- Intermediate – 3 to 5 years
- Moderate – 5 to 10 years
- Long-term – More than 10 years

When checking your portfolio's alignment, it's also a good idea to make sure you've accounted for your liquidity needs. Liquidity measures the ease with which you can meet financial obligations with your available liquid assets. For reference, cash is the most liquid asset, while real estate, fine art, and collectibles are all relatively illiquid. Liquidity needs include:

- Significant (primary need is liquidity)
- Moderate (may need quick access to cash)
- None (have other sources of cash)

When building your portfolio, it can be tricky to figure out if you're getting the best return for your risk level. Talk with your financial advisor to make sure your strategy is on track to help achieve your goals.

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