Strike a
MAKE SURE YOU BUILD YOUR PORTFOLIO WITH A MIX OF INVESTMENTS THAT’S RIGHT FOR YOU.

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Illustrations by John Tomac

You’re counting on your retirement portfolio for the future. You’re building it with contributions and hope that it will grow in value over time. But how do you set it up for possible growth, knowing that there’s also risk in doing so? The best way to do that is to create the right mix of assets—and the key word is “mix.”

In investing, there are different asset classes—stocks (equities), bonds (fixed-income investments) and cash equivalents (money market funds, etc.). These assets perform differently in different circumstances. An event that makes stocks gain value might cause bonds to lose value, and vice versa. And the market is moving all the time.

If you keep all of your money in stocks, and something causes stocks to plummet, you could potentially lose a big chunk of your savings. But if you spread your money among different kinds of assets, and some of them go up when others go down, you may be able to offset losses on some assets with gains in others.
“One of the great ways to decrease the impact of the volatility of the market is to have multiple types of assets in a portfolio,” says Brian Anderson, a Thrivent financial representative in Downers Grove, Illinois. “It gives the portfolio some buoyancy.”

**WHAT Determines the Best Mix?**

There are several factors that shape how you and your financial representative put together your portfolio’s assets:

**RISK** How comfortable are you with taking chances with your investments? How much up and down can you handle before you get anxious and make rash decisions with your money? Generally, the more tolerant you are of risk, the more of your portfolio you may keep in riskier assets, such as stocks. If you're more cautious, you might keep a higher percentage in conservative investments, such as some bonds.

“There are no guarantees on what the stock and bond markets are going to do, so you want to make sure to spread out the risk through diversification,” says Mark Mueller, a Thrivent financial representative in Germantown, Maryland. Doing so can reduce risk, although it won't eliminate it.

**GOALS** What are your plans for your money? Do you need money for certain short-term purchases over the next few years? Or is most of your cash sitting for 15 to 20 years before you need to access it? “You may want a certain amount of money for shorter-term purchases, like accumulating money for a house or car,” says Mark Simenstad, vice president and chief investment strategist at Thrivent. “The long-term investments could be things like retirement assets.”

You typically want to hold money for shorter-term goals in less risky investments, such as bonds or a money market fund. Money you don’t need for a couple of decades could be more aggressively invested, since there’s more time to make up for market fluctuations.

**AGE** The younger you are, the more time you likely have to ride out market corrections. This means you may want to take on more risk. Traditionally, younger investors’ portfolios are more heavily weighted in stocks. They shift their investments more toward bonds and other conservative investments as they get closer to retirement.

**SITUATION** While your age is a big consideration in your investments, there...
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* The member’s experience may not be the same as other members and does not indicate future performance or success.

Additional factors that might influence your choices. A 20-something who inherits a large sum may have different investment plans than a similarly aged person without a large windfall. In the same way, someone approaching retirement who suddenly finds herself supporting a grown child or raising a grandchild would have different needs than a peer with an empty nest. “People’s circumstances can change, and sometimes things can happen out of the blue,” Simenstad says. “As your circumstances change, maybe you need to change your risk tolerance.”

**Take a Long View**

Thrivent member Stephen Sieling considers himself a moderate to aggressive investor. He’s willing to take some risks with equities. “There are going to be swings in the market over time,” he says. “But I am well aware that in the long run, there is a greater chance that equities are going to outperform anything else.”

He worked with Anderson on his financial strategy in the early 2000s when he was thinking about his retirement. He then retired in 2005, and he’s very content with his investment mix. “There have been market corrections, and I’m fine with it,” says Sieling, 70, who lives in La Grange Park, Illinois. “I’m in a position to ride them out.”*

Anderson makes a point to set up clients with a portfolio that has a goal of providing five years of stable income, even if the market drops. That way a client near retirement doesn’t necessarily experience a drastic loss if the market goes down dramatically. They may have stable income and enough time for the market to rebound. “Part of our job with our members is understanding where they are in that retirement cycle,” Anderson says.

The key to putting together a portfolio that’s balanced and will weather the market’s ups and downs is to talk to your financial representative. Be prepared to have a frank discussion about all the above considerations, as well as your goals and retirement timing. “A well-diversified portfolio can help to spread out the risk, and you hopefully get slow and steady growth over time,” Mueller says.

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