

# Schroder Family (B): Investment Strategy and Asset Allocation

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### What is Asset Allocation?

- Asset allocation is an investment strategy
- It attempts to balance risk and returns portfolio

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### Sample Portfolios

### How to determine Asset Allocation

1. Risk Tolerance
2. Client Age or Time to Retirement or Planned Goals
3. Determine Your Long-Term Needs Goals
4. Select Your Asset Class

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### Portfolio That Works for Your Situation

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### In your 20's

### In your 30's and 40's

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### Asset Allocation Changes

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### In your 50's

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### In your 60's and beyond

### Three key asset classes

- Cash equivalents
- Fixed income securities
- Equities

### Cash Equivalents

- Low level of interest rate risk (not subject to the same level of market risk as corporate or government)
- Minimal fluctuation of principal
- Highly liquid (cash, money market)

### Fixed Income Securities / Bonds


- Provides a steady stream of income and is usually more stable in long term returns
- Usually greater interest paid, greater length of term
- potential fluctuations of principal and reinvestment risk
- Lower volatility than equities, example: bonds

### Equities / Stocks


- Involves owning part or all of an asset or company
- Its possible to recoup original investment
- Share of distributed profit, if any
- potential gain or loss of asset value example: stocks

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 In your 30's and 40's

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 In your 50's

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Key Questions Investment



# What is Asset Allocation?

- Asset allocation is an investment strategy
- It attempts to balance risk in a persons portfolio

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## How to determine Asset Allocation

1. Risk Vs. Return
2. Don't Rely on Financial Software or Planner Sheets
3. Determine Your Long- and Short-Term Goals
4. Time Is Your Best Friend
5. Just Do It!

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# Asset Allocation Strategies

## **Stategic Asset Allocation**

- a proportion combination of asset based on expected rates of return

## **Constant Weighting Allocation**

- to buy and hold

## **Dynamic Asset Allocation**

- with which you constantly adjust the mix of assets as markets rise and fall, and as the economy strengthens and weakens

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## Factors That Affect the Asset Allocation

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Your stage in life

- Younger investors need safer, more liquid securities
- Investors not needing liquidity might consider investing in securities with high growth potential
- Investors nearing retirement may choose investments that will generate income



# In your 20's

<b>Key Concerns:</b>	<b>Questions to Ask:</b>	<b>Investment Tips:</b>
<ul style="list-style-type: none"><li>• Paying college loans</li><li>• Meeting living expenses</li><li>• Starting an investment plan</li></ul>	<ul style="list-style-type: none"><li>• What are my goals?</li><li>• How much risk can I take with my money?</li></ul>	<ul style="list-style-type: none"><li>• Establish an emergency savings account</li><li>• Contribute maximum amount to tax-deferred retirement plan</li><li>• Set up mutual fund, brokerage or savings account</li></ul>



# In your 30's and 40's

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<b>Key Concerns:</b>	<b>Questions to Ask:</b>	<b>Investment Tips:</b>
<ul style="list-style-type: none"><li>• Buying a home</li><li>• Supporting family needs</li><li>• Saving for a vacation or kids' college education</li></ul>	<ul style="list-style-type: none"><li>• What are my goals?</li><li>• How much risk can I take with my money?</li></ul>	<ul style="list-style-type: none"><li>• Split savings into long- and short-term goals</li><li>• Think equities for long-term; more liquid options for short-term</li></ul>





# In your 50's

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<b>Key Concerns:</b>	<b>Questions to Ask:</b>	<b>Investment Tips:</b>
<ul style="list-style-type: none"><li>• Paying child's college costs</li><li>• Meeting living expenses</li><li>• Funding retirement plan</li></ul>	<ul style="list-style-type: none"><li>• What are my goals?</li><li>• How much risk can I take with my money?</li><li>• When do I plan to retire?</li></ul>	<ul style="list-style-type: none"><li>• Save more money for long-term through:<ul style="list-style-type: none"><li>- employer qualified plan</li><li>- mutual funds</li><li>- brokerage accounts</li><li>- CDs and bonds</li></ul></li></ul>