Five Step Process for Asset Management

1 Identify Your Investment Goals and Risk Profile

Through personal consultations with an advisor or on your own, develop a personal profile of your individual investment needs and objectives, time horizon and attitude toward investing. Determine whether you need investments that produce income, growth, or a combination of both. Your analysis should include all of the following:

Investment Goals + Amount of Money to Invest + Time Horizons + Tolerance for Risk + Rate of Return Expected Given That Level of Risk + Income & Liquidity Needs + Special Tax Considerations

2 Develop an Asset Allocation Plan

Based on your needs and objectives identified in step one, this plan should help maximize your investment returns relative to your risk tolerance through a carefully diversified investment allocation. Determining the most appropriate asset allocation policy is paramount to your investment strategy. Asset allocation neither assures a profit nor protects against loss in a declining market.

3 Evaluate and Select Your Investment Managers

Once your asset allocation policy has been developed, implement it by investing in a well-diversified portfolio that is managed by premier money managers. Your investment portfolio should be spread across multiple asset classes, within multiple investment styles and by using multiple money managers. Utilize a process to select only the finest and most reputable money managers.

4 Rebalance Your Portfolio

Carefully monitor your investment portfolio on an ongoing basis to help ensure that it remains consistent with your asset allocation policy. Because the various asset within your portfolio perform differently, your portfolio may become overly exposed to the best performing class and underexposed to those classes that did not do as well in a given period. Rebalancing maintains asset class exposure within your predetermined boundaries. Investors should bear in mind there are certain tax implications involved when selling funds for rebalancing purposes. And there is no guarantee that rebalancing will ensure a profit in a decling market.

5 Monitor Your Process

Monitoring the process of your portfolio on an ongoing basis is a crucial part of the investment process. This does not mean checking which investments are up or down the most on your monthly statements, but regularly making sure your portfolio structure is still in place and properly positioned for your goals. Your investment manager should provide access to good quality reporting that includes at a minimum:

1) Account level performance reporting that details dollar amount gain or loss as well as current share price.
2) A record of all transactions that occur and the share price at that time.
3) Statements on at least a quarterly basis with year end summaries.

A good financial advisor can help guide you in monitoring your portfolio. In addition, that advisor should regularly repeat a formal portfolio planning process with you to review, evaluate and adjust it according to your changing needs.