

4 smart ways to find balance as an investor

Introduction

Someone wise once said, "Aim for balance in all things." All things would be great, but let's start with investing, where finding the right balance between risk and reward is key. A portfolio that's too risky might leave you vulnerable to big losses in a market downturn—but a portfolio that isn't risky enough may not show much growth over time. You want your portfolio's risk temperature to be just right for your goals and time horizons. Here are some things to think about as you look for that ideal balance.

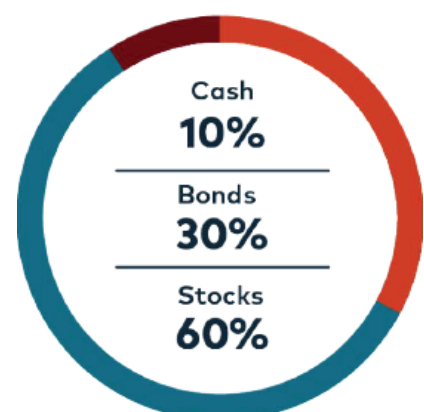
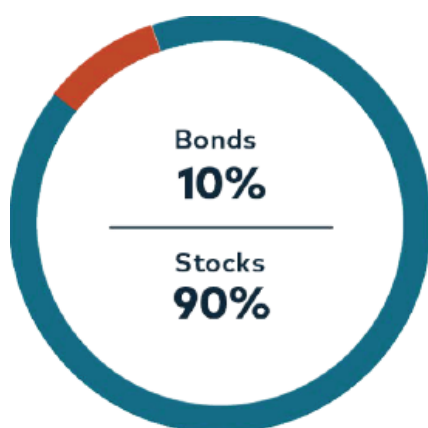
Be clear on your goals

At Vanguard, we believe that successful investing journeys start with clear goals. They can be big goals, like saving for retirement, college, or a down payment on a house, or they can be as small as having some extra spending money at the end of each month. Your goals—and how soon you want to reach them—carry a lot of weight in determining what kind of investment account you should open, and how risky the investments inside it should be.

Set, or reset, your asset mix.

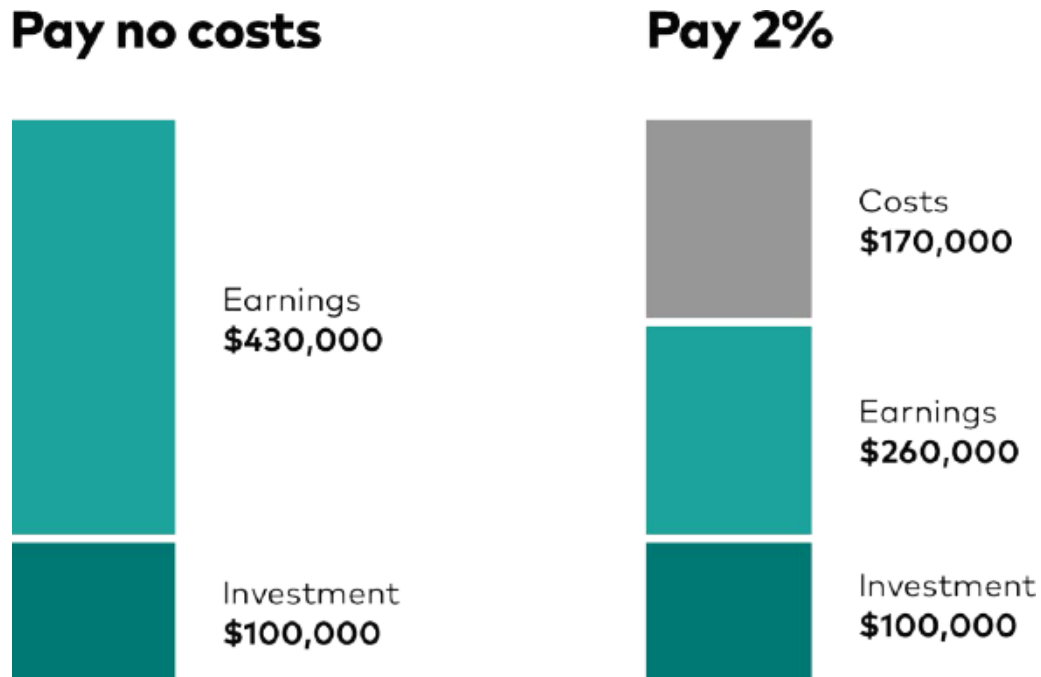
Once you have goals in mind, your asset mix is the most important investing decision you'll make. That's what determines the amount of investing risk you're taking on—that all-important balance. There are three major asset classes you can invest in: stocks, bonds, and cash. Your asset mix is the percentage of your portfolio you choose to dedicate to each.

Stocks are the riskiest investments, so a breakdown of 90% stocks, 10% bonds would carry more risk than a portfolio that holds 60% stocks, 30% bonds, and 10% cash. Sometimes a stock-heavy asset mix makes sense for where you are on your timeline, especially if you want to give your investments room to grow. At other moments—like when you're approaching your target retirement age, for example—it makes sense to shift toward a safer mix that leans towards bonds and cash. Like a self-portrait, your asset mix should reflect where you are on the timeline to your goals—and it should change as you move through life.



3. Keep your eye on costs.

Keeping your investing costs low means you'll have more money working for you in your accounts to earn even more over time through compounding. Otherwise, high fees can eat into your earnings—and that can knock things off balance. Let's say you invested \$100,000 in an account that earned 6% a year for the next 25 years. Without fees, you'd end up with about \$430,000. But if you paid 2% in fees each year for those 25 years, you'd only have about



Notes: This hypothetical illustration doesn't represent any particular investment, nor does it account for inflation. "Costs" represents both the amount paid in expenses as well as the "opportunity costs"—the amount you lose because the costs you paid are no longer invested. There may be other material differences between investment products that must be considered prior to investing. Numbers are rounded and rate is not guaranteed.

The bottom line? Avoiding fees that add up is a great way to help keep your investments on track.

4. Think long-term.

Another way to find balance as an investor is to go with a steady, disciplined investing approach. This means thinking long-term when it comes to managing your portfolio—making a plan and sticking to it, even during those anxious moments that sometimes go along with market volatility.

Swings in the market are normal. But seeing the bigger picture can help steady your heart rate during the ups and downs. There's a good chance following the plan you made when your emotions were in check will put you in the best position to reach your long-term goals. Showing patience and discipline—finding balance— isn't always easy, but can be worth it in the long run.

Want to learn more? Go to our Knowledge Center site [here](#)

Note:

- All investing is subject to risk, including the possible loss of the money you invest.

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