

When was the last time you reviewed your retirement plan investments? Choosing investments isn't a "set and forget" situation. It's important to take a look at how your investments are doing on a regular basis. A checkup can help you spot any problems and, if necessary, rebalance your investments.

Assess Asset Allocation

How is your account divided up among your plan's investment choices? Your goals, risk tolerance, and time frame should influence how you split your investment dollars among the major asset classes — stocks, bonds, and cash alternative investments, such as money market securities. Generally, the longer you have before retirement, the more comfortable you may be with risk. But, as you get closer to your retirement date, you may want to shift more of your money into investments that will help you preserve the value of your account. Your situation may differ, however, so be sure to consult a professional before taking action.

Peruse Performance

To see how an investment has been performing, check its total return over different time periods. Compare the investment's returns to those of its benchmark index to see how it measures up to similar investments. Keep in mind that short-term performance can be volatile, especially if you have stock investments. However, if an investment has consistently underperformed its benchmark index for an extended period, you may want to reconsider whether it makes sense to keep it.

Restore Balance

How your investments perform can affect your asset allocation. If investments in one asset class have been performing particularly well, you may find that a higher percentage of your account is currently invested in that asset class than you had intended. As a result, your account may now be invested more aggressively or conservatively than you want. Rebalancing can help you restore your asset allocation. To restore balance, you can have new contributions invested in the asset class that has become too small until you regain your desired allocation. Or, you can sell investments in the asset class that has become overweighted and buy investments in the asset class that is underweighted.

