

# Rebalancing

## A tale of two investors

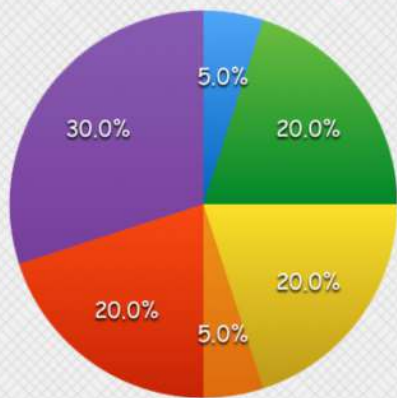


Meet Jane. She's got a great plan with a great allocation and wants to keep it in line. She decides to rebalance once per year.

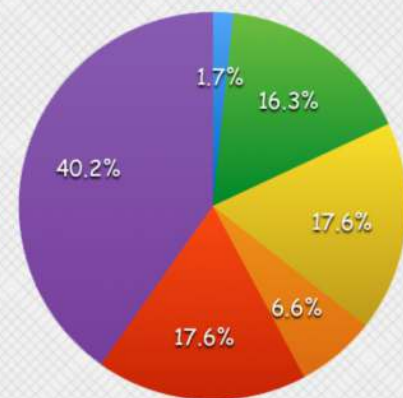


Meet John. He's a lazy investor and doesn't bother to keep his allocation in line with his original plan.

### Annual Rebalancing



### No Rebalancing



### Ending 60/40 Allocation



\$100,000 investment for the 10 years ending 12/31/2015



### Ending 66/34 Allocation



#### JANE WINS!

Her account grew from \$100,000 to \$157,007 in 10 years!

That's an annual return of 4.61%

#### SORRY JOHN!

His account grew from \$100,000 to \$151,680 in 10 years

That's an annual return of 4.25%

Savings

3.6%  
Annually

Jane rebalanced annually which forced her to buy low and sell high. This process kept her allocation and risk tolerance in line with her financial plan, and she made more money! Not only did John earn less, he's now also far more aggressive than he should be. His 60/40 allocation is now a 66/34.