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Explore

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Advanced Investing

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Prepare for the adventure ahead

The terrain is rugged, the temperatures are extreme. But with the right tools, you can accomplish your objective of advancing to the next level of investing. Once you discover what's under the tip of the investing iceberg, you'll be able to make choices that can help you reach your retirement goals. So grab your mittens and let's go!

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Zero in on asset allocation

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Asset allocation — the way you spread your money among stock, bond, and cash equivalent investments — is a powerful strategy for balancing risk and return in your portfolio. Some experts believe that asset allocation may account for up to 90% of investment performance.* Since your situation can change, it's smart to view your asset allocation at least once a year. Just follow the steps on the next few pages.

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**Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?" by Roger G. Ibbotson and Paul D. Kaplan, *Financial Analysts Journal*, vol. 56, no. 1 (January/February 2000): 26-33.

#1: Look at your total financial picture

When deciding how to allocate your assets, be sure to include any retirement investments you may have outside of your plan. You'll want to consider how they fit into your asset allocation strategy.

#2: Calculate your time horizon

Your time horizon is the number of years you have before you'll need to begin withdrawing money from your retirement account. Write your time horizon here:



#3: Measure your risk tolerance

The quiz below will help you gauge your tolerance for investment risk. Read each of the five statements and circle the number that most closely reflects your thoughts.

Investor Profile Quiz

Disagree
Strongly

Agree
Strongly >

1. To obtain above-average returns on my investments, I am willing to accept above-average risk. 1 2 3 4 5
2. Staying ahead of inflation is very important to me. 1 2 3 4 5
3. If an investment loses money over the course of a year, I can easily resist the temptation to sell it. 1 2 3 4 5
4. This money is intended for retirement. I do not plan on taking it out for major financial expenses. 1 2 3 4 5
5. I consider myself knowledgeable about economic issues and personal investing. 1 2 3 4 5

Enter your
score here:

Circle your investor profile:

Score	Investor Profile
5–11	Conservative Investor
12–18	Moderate Investor
19–25	Aggressive Investor