Name ____________________

ASSET ALLOCATION ASSESSMENT

Having an asset allocation strategy that is in sync with your time horizon is key to achieving long-term goals.

MONEY CONFIDENT Kids™
Presented by T.RowePrice®

Show What You Know

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1. If your child were heading off to university in a year—a short-term time horizon—would it be a good idea to invest 100% of the money set aside for moving out in shares?

YES NO

2. To reach long-term goals, why should a person invest in a mix of shares and bonds and not just a savings account?

3. Why is it a good idea to review your asset allocation as you get older?

4. Why would a younger person want to have a higher percentage of shares in their **portfolio** than a person getting close to retirement age?

Answer Key: (1) No. Shares go up and down. If the share market had a major decline, the value of the fund might not be enough. For goals with a short-term time horizon, low-risk investments are best. (2) A savings account alone will not earn enough money to outpace the effects of inflation on purchasing power or enable one to reach long-term goals. Shares offer the chance of higher returns but can also lose value. Bonds can still carry some risk but offer more consistent interest income and tend to have lower investment returns than shares. (3) As people age and get closer to retirement, they usually want to increase their overall percentage of bonds. They should periodically check their allocation percentages to make sure they're close to their target. If, for example, share values increase a lot, they might want to sell some shares and buy more bonds. (4) With investments, risk means that there is a chance that the value of the investments will decline. As people approach retirement, there isn't as much time to recover from significant investment losses, and income from investments is an important source of income for retirees.