

Money 101 - Investments

12.02c - LIFE ENHANCEMENT SAVINGS - Recommended Asset Allocation

Asset allocation traditionally refers to the ratio of stocks and bonds; cash is normally not counted. However, when investing for a specific purpose, such as to make a house downpayment, a few years before needing the downpayment approaches (Target Year) the investor will begin to shift some funds to cash. These charts assume that 100% cash is needed by the target year.

TARGET YEAR - all funds needed in cash for a specific purpose

Years To Withdrawal	10-11	8-9	6-7	4-5	3	2	1	0
Conservative - less willing to take on risk - would accept a more modest return								
US Stock	45.5%	42.0%	35.0%	28.0%	21.0%	14.0%	7.0%	0.0%
Non-US Stock	19.5%	18.0%	15.0%	12.0%	9.0%	6.0%	3.0%	0.0%
TOTAL STOCKS	65.0%	60.0%	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
TOTAL BONDS	35.0%	40.0%	50.0%	55.0%	55.0%	50.0%	40.0%	0.0%
TOTAL CASH	0.0%	0.0%	0.0%	5.0%	15.0%	30.0%	50.0%	100.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

More aggressive - more willing to take on risk - for a higher return								
US Stock	52.5%	45.5%	38.5%	31.5%	24.5%	17.5%	10.5%	0.0%
Non-US Stock	22.5%	19.5%	16.5%	13.5%	10.5%	7.5%	4.5%	0.0%
TOTAL STOCKS	75.0%	65.0%	55.0%	45.0%	35.0%	25.0%	15.0%	0.0%
TOTAL BONDS	25.0%	35.0%	45.0%	55.0%	55.0%	45.0%	35.0%	0.0%
TOTAL CASH	0.0%	0.0%	0.0%	0.0%	10.0%	30.0%	50.0%	100.0%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%