Rebalancing

Money

Why a portfolio drifts, and what to do about it.

Keeping the mix you chose rather than the one the market produced.

1. **Set a target allocation**
   For example 70% equities, 30% bonds. Write it down.

2. **Check periodically**
   Annually is enough for most people. More often adds cost.

3. **Compare against target**
   Strong equity years push equities above their share.

4. **Rebalance with new money first**
   Direct contributions at the underweight asset. No selling, no tax.

5. **Sell only if necessary**
   And prefer to do it inside a tax wrapper.

THRESHOLD APPROACH

Rebalance when any holding drifts 5 percentage points from target
Rather than on a fixed date

General education, not financial advice. Rebalancing controls risk; it does not reliably increase return.