

# I Rebalanced My Portfolio



I rebalanced my portfolio, or more specifically my 403(b) retirement savings account, this week. The change was made after I conducted my semiannual review. The changes offer some insight into how various asset classes have performed and how I personally manage my portfolio allocations.

Our 403(b) plan, which is the equivalent of a 401(k) plan, is operated through Vanguard. In it, I hold five funds: Vanguard 500 Index Fund (VFINX), Vanguard Small-Cap Value Index Fund (VISVX), Vanguard REIT Index Fund (VGSIX), Vanguard FTSE All-World ex-U.S. Small-Cap Index Fund (VFSVX) and the Vanguard Intermediate-Term Investment-Grade Fund (VFICX). The 500 index fund gives me access to what is arguably the most frequently used benchmark. The domestic small-cap value fund takes advantage of two factors shown to lead to higher returns: value and small company size. The FTSE small-cap fund gives me diversification via international small-cap stocks. Real estate investment trusts (REITs) have had similar long-term returns as small-cap stocks, tend to offer diversification benefits over longer periods of time and are one of the few asset classes to have a higher correlation to inflation. The bond fund provides diversification, buffers the portfolio against volatility and serves as a counter-weight I can rebalance into during bull markets for stocks and out of during bear markets for stocks. (I gave a longer explanation of my allocation, as well as the corresponding Admiral Share mutual fund and exchange-traded fund (ETF) tickers, last year. Vanguard will not allow us to hold the less expensive Admiral Share class funds in our accounts regardless of how much we have saved.)

[Read more »](#)