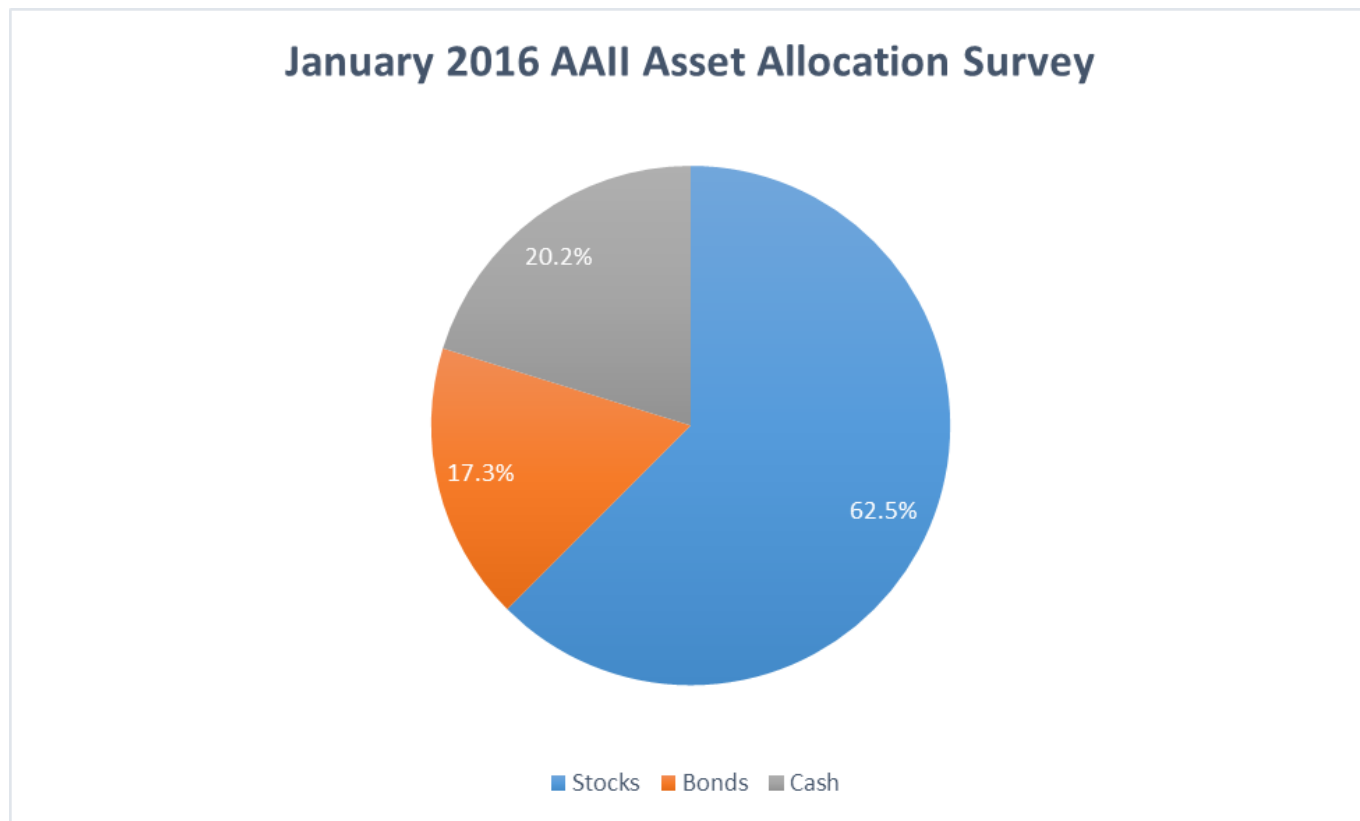


## January Asset Allocation Survey: Cash Allocations Rise to a 2.5-Year High



Last month, individual investors increased their cash allocations to the highest level and cut their equity allocations to the lowest level in two and a half years, according to the January AAI Asset Allocation Survey. At the same time, bond allocations rose to a one-year high.

Stock and stock fund allocations fell by 2.8 percentage points to 62.5%. This is the smallest allocation to equities and the biggest monthly drop recorded by our survey since August 2013 (62.3%, down 2.9 percentage points). Even with the decline, stock and stock fund allocations remained above their historical average of 60% for a 34th consecutive month.

Bond and bond fund allocations edged up 0.2 percentage points to 17.3%. Fixed-income allocations were last higher in January 2015 (17.5%). Bond and bond funds have now risen for six consecutive months and have remained above their historical average of 16.0% for the same period.

Cash allocations rose 2.6 percentage points to 20.2%. This is the largest allocation to cash and the biggest monthly increase recorded by our survey since August 2013 (20.5%, up 2.8 percentage points). It is also the first increase in four months. Nonetheless, January was the 50th consecutive month with a cash allocation reading below its historical average of 24%.

The stock market's rough start to the New Year caused many, but not all, individual investors to increase their cash allocations over worries about further declines in stock prices. Pessimism in our weekly Sentiment Survey has been at or above 40% for three consecutive weeks, while optimism fell as low as 17.9% last month. There may have also been some reaction to the disappointing returns realized by many equity-oriented funds last year. It is worth noting, however, that some individual investors viewed last month's pullback as a chance to buy stocks at discounted prices or are looking for buying opportunities.

January Asset Allocation Survey results:

- Stocks and stock funds: 62.5%, down 2.8 percentage points
- Bonds and bond funds: 17.3%, up 0.2 percentage points
- Cash: 20.2%, up 2.6 percentage points

January Asset Allocation Survey details:

- Stocks: 30.5%, down 0.6 percentage points
- Stock Funds: 32.0%, down 3.4 percentage points
- Bonds: 4.3%, up 0.3 percentage points
- Bond Funds: 13.0%, down 0.1 percentage points

Historical Averages:

- Stocks/Stock Funds: 60%
- Bonds/Bond Funds: 16%
- Cash: 24%

\*The numbers are rounded and may not add up to 100%.

The AAI Asset Allocation Survey has been conducted monthly since November 1987 and asks AAI members what percentage of their portfolios are allocated to stocks, stock funds, bonds, bond funds and cash.

Want to weigh in? Take the survey yourself and see results online at

<http://www.aai.com/assetallocationsurvey>.

If you want to become an effective manager of your own assets and achieve your financial goals, consider a **risk-free 30-day Trial AAI Membership**.