STRATEGIES BY LAURA URMONEIT

Finding the right balance

Determine the right mix of assets to suit your client's needs and goals

WHEN IT COMES TO managing a client's portfolio, the key is finding the right balance. Creating a balanced investment portfolio boils down to two essentials: diversification and steady investments.

Every client has a personal financial model that suits him or her best, and when RRSP season rolls around it is time to review those models. Whether it's a simple investment or an all-encompassing retirement plan, you and your client should set priorities and figure out the best mix of assets, says Paul Shirer, a financial coach and president of **Perfect Timing Network** , a Toronto financial consultancy.

Clients can choose to invest in a number of asset classes, including gold, stamps and collectibles, real estate, stocks and bonds, he says.

"History shows that one particular asset class may have reacted one way, while another asset class reacted a different way," Shirer says. "If a client has 20% of his portfolio invested in cash, 40% in bonds and 40% in stocks, the road is not going to be as bumpy."

Diversification is one of two strategies for achieving a balanced portfolio. The other is actual implementation of the plan. "It's creating a plan in which your clients are systematically investing money in the different asset classes, otherwise known as 'dollar-cost averaging'."

This is a timely topic because of recent market volatility. Instead of throwing in the towel and hiding the money under a mattress, your clients should decide what type of investments make them comfortable enough to sleep at night.

It's important to keep in mind that most investing, especially within an RRSP, is long-term. What advisors should do in the short term is reassure clients.

"I tell my clients not to let the short-term stuff bug them. When a portfolio is set up and it's properly monitored to maintain that balance, there isn't a need to panic. A good balance reflects the investor's profile," says Elle Rosenberg, president of Toronto-based **Lifetime Planning.**

Determining a client's profile takes some work. Rosenberg relies on Know Your Client forms and asset-allocation questionnaires to gauge what assets a client has or what other investments they hold, regardless of whether she looks after those investments. Once she sees what clients have, then she can see what they should have.

The next step is gauging the client's comfort level, Rosenberg says. Clients may indicate they want to be 50% in international equities, but discussions show they're uncomfortable with that. "The questionnaire is only a beginning step," she says.

After the portfolio has been tailored, it should be revisited at least once a year to ensure the mix is still right, Rosenberg says. If technology stocks went down and bonds went up, rebalancing may be needed.

Rosenberg points to a strategy used by many advisors to maintain balanced portfolios: focusing on age vs need for income. As clients age, the need to preserve capital becomes more important. People don't want to lose what they have because there's no time to make up losses. IE