

## A hidden virtue you may overlook

Any market movement inevitably changes the risk element of every investor's holdings. Whether up or down, market changes push the client's account away from the original allocation. Eventually, performance may be affected as well. The annual rebalancing feature of the Freedom Account may not seem like a significant benefit at first glance, so here are some scenarios for you to consider about why rebalancing matters:

Imagine an investor who chose in 1989 to place 75% of their account into equities and the balance into less risky fixed income products. Over the bull market of the 1990s, the equity stake would have grown much faster than the fixed income investments, so that 10 years later, with no rebalancing, the portfolio would have contained 85% equities and 15% fixed income, a potentially riskier mix. The bear market of 2000-2001 would have cost this investor a heavier hit than the investor who rebalanced yearly.

The investor who is less risk-averse may not be impressed with the above argument, but it is important to understand how rebalancing is designed to keep investments in line with objectives. The aggressive investor who wants 80% equities in small company stocks and the rest in large will see that a market favoring large-cap stocks pushes the portfolio away from a more aggressive goal. Without rebalancing, the portfolio is less ambitious and loses the potential the investor wants.

While rebalancing can result in taxable events and does not ensure a profit or guarantee against a loss, rebalancing may have a beneficial impact on performance because it forces investors to sell securities that have grown in value and buy what is currently out of favor. This seems counterintuitive to many investors, but over the long run, we believe it is how portfolios grow. The annual rebalancing in the Freedom Account is intended to be a painless way for investors to rebalance. It's unemotional and automatic, and it returns your portfolio to the asset mix that is comfortable for you.

## Remember **Rebalancing** and the Freedom Account.

*Further information on the funds selected for the Freedom Portfolios is available by prospectus, which can be obtained through your financial advisor. Investors should carefully consider the investment objectives, risks, charges and expenses of the Freedom Portfolios before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. Investing involves risk and you may incur a profit or loss.*

---

**RAYMOND JAMES®**

Raymond James & Associates, Inc. | Member New York Stock Exchange/SIPC

880 Carillon Parkway | St. Petersburg, FL 33716 | 800.248.8863

AMS09-10221