

## Ask the Expert: Does Your Portfolio Need a Checkup?

Interview with Mark Riepe, Senior Vice President, Schwab Center for Investment Research®, CFA

### **Q: Why is Schwab Portfolio Checkup® such a valuable tool for clients?**

**MR:** Portfolio Checkup is a great tool to help you stick to your strategic investment plan. It helps you easily review your asset allocation, your sector allocation and the quality of your stocks and mutual funds. Studies have shown that over 90% of the variability in returns in well-diversified portfolios is explained by asset allocation.

### **Q: What makes it so useful?**

**MR:** It gives you a “big picture” look at your financial health. It allows you to do a top-to-bottom assessment in a structured and easy-to-understand way. It shows you where your portfolio is deficient, and it can help you figure out how to rebalance.

Further, the Schwab Center for Investment Research’s methodology and expertise are embedded in the tool’s analytics. That work is done for the investor.

### **Q: Is it easy to use?**

**MR:** Yes. It’s easy to use and flexible. If you have all your assets at Schwab, all of your holdings are automatically entered into the tool. That saves time and effort, allowing you to quickly complete a checkup within a few minutes. You can do a pretty thorough assessment, including checking your risk tolerance, in 15 minutes or so.

You can also add investments held in outside accounts, which is a key benefit of the tool. There are two ways to do this: either on an asset class level or, if you have the time, by entering each individual stock or fund.

### **Q: How can Portfolio Checkup help clients be better investors?**

**MR:** It’s important to understand your comfort level with balancing risk and return. How much risk are you willing to take for how much potential investment return?

Many people don’t know where they sit along the risk spectrum. Our seven-question risk profile questionnaire guides you through an analysis—to get you thinking about several key issues. For example, how much volatility can you stomach, and how long is it before you need your money?

The key is that you always want to be diversified. That’s easy to say, but hard to do. This tool helps you achieve that goal. It shows you a target portfolio in line with your risk tolerance.

Then you can use the tool to compare the target portfolio to your current investment mix. Portfolio Checkup makes it easier for you to take action to bring your investments in line.

### **Q: How often should investors use this tool?**

**MR:** In general, it’s a good idea to use Portfolio Checkup once every six months and not less than once a year. It can help you keep on top of your investments.

That said, any time you have a major life-changing experience—a marriage, your kids’ graduation from college, retirement, etc.—it’s a prime opportunity to review your investment plan.