Staying the Course

The right portfolio allocation can help you weather the ups and downs

Even during the best of times, when markets are steadily climbing higher, it takes a certain degree of discipline to adhere to a long-term investment strategy. During periods of market turbulence, however, anxieties can quickly intensify as a seemingly endless parade of media pundits warns of impending financial doom. Unfortunately, volatile market swings all too often compel investors to make knee-jerk decisions that are counter to their long-term goals.

Work closely with your SunTrust advisor to craft a financial plan that carefully considers your unique financial goals, concerns, lifestyle requirements, investment time horizon and risk tolerance – using those critical determinants to construct a portfolio of investments designed not only to achieve your goals with the appropriate level of risk, but also to allow you to feel comfortable enough to "turn off all the noise" and stay committed to your plan for the long haul.

No amount of news or data will ever empower you to accurately and consistently predict the short-term movement of financial markets. But by adhering to the core tenets of our investment philosophy, your likelihood of success will be far greater:

- **Invest with a purpose** – investments should be carefully aligned with your goals not just exist in a vacuum;
- **Adhere to a disciplined process** – a long-term focus keeps you grounded during times of market stress;
- **Mitigate unnecessary risk** – global diversification, a mix of both income and growth investments, and periodic rebalancing; and
- **Select investment solutions wisely** – your portfolio should be constructed to accurately reflect your individual needs regarding liquidity, income vs. growth, and tax sensitivity.

Markets rarely move in a straight line, but over the long-term, investors who have portfolios appropriately aligned to specific goals typically achieve them.

Investing with a purpose

Your investments should approach your goals holistically—ensuring an appropriate mix of asset classes to achieve multiple and sometimes competing objectives, such as delivering responsible growth or high-quality income over time. Additionally, your portfolio must consider both your time horizon and risk tolerance. Our research indicates that a 7-10 year investment period is sufficiently long to maintain a sizable (50% or more) allocation to stocks. If a considerable portion of your invested wealth will be needed sooner, or if you simply aren't comfortable with short-term fluctuations, a more conservatively allocated portfolio designed to achieve scaled back goals may be advisable.

Creating a well-diversified portfolio

Even if your time horizon is long and your risk tolerance is high, in most cases a portion of your portfolio should be allocated to high-quality bonds. Bonds can play an important role during turbulent times, providing diversification, and the potential to smooth out portfolio returns over time.

When a downturn occurs, having adequate cash reserves is also essential. It protects you from having to liquidate investments at depressed levels to generate required income, and provides a measure of reassurance that you have enough on hand to weather the storm and stick to your long-term plan. How much should you hold? It really comes down to a question of how much is enough to allow you to meet short-term income needs and sleep comfortably at night. For investors with a healthy equity allocation, we often recommend having enough cash to cover a year's worth of expenses.

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Turning concerns into opportunities

Once you have a portfolio that's closely aligned with your long-term goals, reflective of your investment time horizon and tolerance for risk, short-term market corrections can take on a dramatically new light – presenting opportunities rather than signaling a cause for concern. Instead of abandoning your investment plan, you'll be able to turn off the news and stay the course, allowing the periodic downturns to work for you by:

- Dollar cost averaging (or adding to your portfolio) as buying opportunities present themselves;
- Minimizing your taxes by harvesting investment losses, offsetting gains and exploring tax-advantaged opportunities (e.g., Roth IRA conversions); and
- Rebalancing allocations that have drifted from pre-determined targets (reducing risk and allowing for more effective compounding of returns over time).

When it comes to financial matters, quick reactionary decisions are rarely if ever the right decisions. Success lies in the tried and true fundamentals of sticking to a well-diversified portfolio of investments designed to align with long-term goals. Above all, rely on your SunTrust advisor to help monitor and adjust your plan and portfolio to address your changing needs and keep you on-track toward your ultimate objectives

For more information, contact your SunTrust Advisor. You may also contact us by phone at 866.223.1499.

Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk; investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise, and values rise when interest rates decline.

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Diversification does not ensure against loss and does not assure a profit. Advisory managed account programs entail risks, including possible loss of principal and may not be suitable for all investors. Please speak to your advisor to request a firm brochure which includes program details, including risks, fees and expenses.

Regular investing does not assure a profit or protect against a loss in declining markets. Dollar Cost Averaging involves continuous investments in securities regardless of fluctuating price levels. Investors should consider their financial ability to continue purchases through periods of low price levels.

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