

Is it Time to Sell?

The fundamentals of knowing when to sell a fund

Your retirement savings strategy is long-term, but your investments aren't written in stone. Sometimes they simply don't work out. When is it appropriate to consider selling a fund?

When it consistently underperforms its peers. You wouldn't want to bail out if similar funds are down in price. You shouldn't give up if your fund lags its peers for a few months, either. Wait at least two years to see if your fund gets back in step with other funds of its type.

When something significant about your life has changed. You've married, divorced, received a big promotion or entered a life stage that calls for a re-tailoring of your asset allocation—like coming within five or 10 years of retirement.

When a fund's investing strategy changes. You may have bought a fund

because it was aggressive; if the fund manager has mellowed the fund's investing style, one that better suits your original intention may be in order.

When a new fund manager takes over. An index fund, which is passively managed, probably won't be affected much by the change, but an actively managed stock fund may be. Keep your eye on the new manager for a year or so—he or she may not do as good a job as the old manager.

When something comes along that is more in line with

your investment objectives. You bought certain funds because they were what your retirement plan offered when you enrolled. Now your plan has expanded its options, giving you investments that are more in line with your asset allocation strategy.

When you're having nightmares. Sometimes market fluctuations can show you how much risk you can *really* tolerate. Don't give in to a sudden setback in the stock market. Knee-jerk reactions may undermine your long-term investment strategy. Do let go of a fund if several months pass and you're still waking up in a cold sweat.

Buy-and-hold investors are often encouraged to hold on to their investments through thick and thin—but you don't want to be too passive a plan participant. Consider the possibilities before you say when. ●

