Why a Balanced Portfolio is a Winner

Back in October of 1998 American markets were recovering from the Long Term Capital Management crisis. The Fed had organized a bailout, and things were getting back to normal. It felt like a good time then to remind investors of the benefits of a balanced portfolio. I wrote then:

> ### *Why a Balanced Portfolio is a Winner*
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> *As I have written often, my own target and my goal for you is a long-term total return of 10% to 11% (after fees and taxes). This target may sound conservative, but trust me, it is aggressive and not easily achieved. To have any shot at achieving this target, expenses and taxes must be kept to rock bottom. This requires diligence, patience, adherence to a strict game plan, proper diversification, and portfolio balance. The mix of 60% stocks and 40% bonds meets my return goals (note the 10.3% below). At the same time, it cuts volatility and risk. (The single worst year showed a 14.3% loss, versus 26.5% with a 100% stock portfolio.) It's a mix most conservative investors will love and should deploy.*
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> *Diversification and portfolio balance are the foundation on which you build your portfolio.*

I continued later to also caution readers against allowing emotionalism to govern their investment actions:

> ### *Emotionalism is an Investor's Meanest Foe*
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> *Events of the moment should never be part of the investment mix. I price my portfolio once a year at tax season (because I*

> *must). Beyond this tax-related housekeeping chore, I pay little attention to prices. Most of what I own, I have owned for a long time. I know how things are going month to month and find it counterproductive to rustle through my holdings regularly. You'll be amazed at how comfortable you can become with a hands-off approach. You sure as heck will pay a lot less in commissions and taxes. And you will defeat what is every investor's meanest foe—emotionalism.*

A decade of ultra-loose monetary policy has sent interest rates into the tank, and with them the prospective returns on bonds, stocks, and assets of all types. My new working target for a balanced portfolio is about half of the old target. I do continue to advise a balanced approach for most investors. Balance helps investors avoid making the emotionally charged investment decisions that often sabotage portfolio performance. At my family run investment counsel firm, our focus is on crafting balanced cash flow-centric portfolios.

If you'd like to learn more about how Richard C. Young & Co., Ltd. helps clients invest their money in a balanced portfolio, sign up for my son Matt's monthly letter to clients (free even for non-clients). Matt is president and CEO of Richard C. Young & Co., Ltd. and has been named one of *Barron's* Top 100 investment advisors for each of the last five years (2012-2016).