

Below is an article published in the 6/12 edition of the Idaho Press Tribune. My purpose in sending you this article is to point out that TSP offers only a Strategic Asset Allocation approach. This is true of most group retirement plans. I suggest you consider the merits of the available strategies. You can save in an IRA or other investment account using a mix of strategies. Additionally, once you reach age 59 ½, you have the option of making a transfer from TSP to an IRA. Please feel free to contact us with your questions.

Four Approaches to Investing By Gary Case

Using a marine analogy for investing, "Sailing," or bull markets are when it makes sense to try and capture the prevailing market winds, and "Rowing" markets exist when headwinds and choppy waters require active management. To understand the differences between the four approaches, recognize that there are two major factors considered within each. One is the degree to which a given approach seeks broad market exposure, and the second is the degree to which the portfolio can be actively managed to adjust for or even neutralize market exposure. For example, in a very strong bull market, it makes sense to try and capture as much market strength as possible, while in a strong bear market, active management can reduce the down side or find positive opportunities.

Strategic Asset Allocation goal: put the prevailing winds of "sailing" markets to work. Strategic approaches create a mix of stocks, bonds and cash based on long-term capital market projections in order to capture broad market returns while balancing risk and volatility. Periodic rebalancing restores the allocation to its original mix.

Tactical Constrained Asset Allocation goal: attempt to capture broad market exposure and seek to add value through limited shifts intended to capture opportunities or mitigate risks. It monitors the markets and may decide to "overweight" or "underweight" asset classes based on market conditions. This approach may have an advantage in "sailing" markets, where the prevailing economic winds are the prime driver of returns by additional value or mitigating risks.

Tactical Unconstrained Investing goal: remove the limits on the extent and frequency of allocation shifts, allowing the portfolio to move more frequently and aggressively in response to changes in market outlook. This approach may be best aligned with "rowing" markets when headwinds place a premium on active asset class management. The primary driver of returns will tend to be the decisions of the Portfolio Strategists regarding the type and size of asset class exposure.

Absolute Return: for risk-averse investors comfortable with modest returns in exchange for active risk management that may include non-traditional asset classes and strategies. Absolute strategies are used for "rowing" toward your goals regardless of the stock market's direction. The success of an Absolute Return approach in meeting its objectives depends on the specific investment strategies used and the decisions made by the Portfolio Strategist regarding asset class exposures.

Since it can be difficult to absolutely know current market direction, a combination of both sailing and rowing strategies may make sense. Your financial planner should have access to and information about these strategies to provide you a complete suite of investment management options.

Gary Case, CFP®, Cornerstone Financial Planning, 917 2nd Street South, Nampa, 466-1971, is a Registered Representative of Cambridge Investment Research, a Broker/Dealer (Member FINRA/SIPC) and Investment Advisor Representative of Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge and Cornerstone are not affiliated. This column is for informational purposes only and should not be used as the primary basis for an investment decision. Consult an advisor for your personal situation.