

# Make Investments Work as Hard As You Do

Labor Day is almost here. Of course, this year, the holiday may have a different impact, given the employment-related stress and disruptions stemming from the coronavirus. Yet, it's good to recognize the value of work and its importance in achieving your life's goals. But if you're going to retire comfortably and reach your other financial objectives, you also need to invest – and your investments need to work as hard as you do.

To help make this happen, you need to know why you're investing in the first place. You likely have a variety of financial goals, including short-term ones – a long vacation, a new car – and long-term ones, such as a comfortable retirement and the desire to leave a legacy for your family. But you can't invest in the same way for these goals. For example, when you're planning an overseas vacation for next year, you want a certain amount of money to be available at a certain time, so you'll want an investment that offers a high degree of preservation of principal. However, when you're saving for a retirement that may be decades away, you need to consider investments that offer growth potential. In any case, you can help your investments work efficiently for you by matching them with specific goals.

You also want to keep your investments “on the job.” In the immediate aftermath of large market downturns, such as we saw earlier this year, many people simply stopped investing altogether. But taking a “time out” can be costly. For one thing, when you stop adding to your investment portfolio, you reduce its growth potential. Furthermore, if you're on the investment sidelines, you might miss out on the next market rally – and the biggest gains often happen in the early stages of these rallies.

Not everyone simply abandons the investment world following a downturn,

though – some people just put more money into cash and cash equivalent accounts. And while it's a good idea to have enough cash on hand for emergencies (about three to six months' worth of living expenses), you may not want to have cash as the major component of your portfolio. Cash simply doesn't “work” hard enough in the sense of providing you with long-term growth opportunities.

So, whether the markets are moving up, down or sideways, it's important to keep investing and keep a reasonable percentage of growth-oriented investments in your portfolio, with the exact amount depending on your goals, risk tolerance and time horizon. These investments will fluctuate in value, but the longer you hold them, the more the impact of short-term drops may be reduced, especially if you maintain a diversified portfolio, although diversification, by itself, can't ensure a profit or protect against loss in a declining market.

Finally, here's one other step you can take to help keep your investments working hard: Check up on them periodically. Review your portfolio at least once a year to determine if it's still helping you make progress toward your goals. If it seems like you're falling behind, you may need to adjust your investment mix.

You've probably discovered that hard work pays off for you in just about every endeavor – so why should it be any different with investing? Keeping your investments working diligently can help boost your chances of achieving your important financial goals.

*This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.*

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