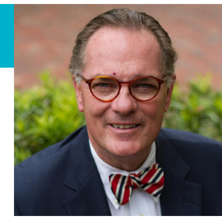

Investment Asset Allocation for Nurses: A Simple Guide

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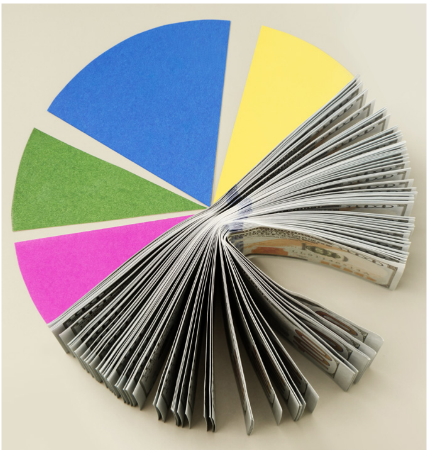

Nurses spend their careers helping others stay healthy, but it is just as important to take care of their own financial health. One of the most important investing concepts nurses should understand is asset allocation. While the term sounds complicated, it simply means deciding how to divide your money among different types of investments.

Think of asset allocation like preparing a balanced meal. You would not eat only one food every day because your body needs a variety of nutrients. In the same way, your investment portfolio needs different types of investments to help reduce risk and increase the chance of long-term growth.

What Is Asset Allocation?

Asset allocation is the process of spreading your investments across different asset classes, such as:

- Stocks: Ownership shares in companies. Stocks can grow significantly over time but can also rise and fall in value.
- Bonds: Loans made to governments or companies that typically provide regular interest payments and are usually less risky than stocks.
- Cash and cash equivalents: Savings accounts, money market funds, and other investments that are very stable but usually offer lower returns.

By combining these investments, nurses can create a portfolio that matches their goals, age, and comfort with risk.

Why Asset Allocation Matters

No one can predict exactly what the stock market will do next. Some years stocks perform very well, while other years they may decline. Bonds and cash often behave differently than stocks.

Asset allocation helps because:

- It reduces the impact of market swings.
- It spreads risk across different investments.
- It can help investors stay calm during market downturns.
- It supports long-term financial goals such as retirement.

Instead of trying to pick the "perfect" investment, asset allocation focuses on building a balanced portfolio.

Asset Allocation Based on Age

Many financial professionals suggest adjusting asset allocation as you get older.

Younger Nurses (20s and 30s)

Younger nurses typically have many years before retirement. This gives them time to recover from market declines.

A possible allocation might be:

- 80% stocks
- 15% bonds
- 5% cash

Because they have a long investment horizon, younger investors often focus more on growth.

Mid-Career Nurses (40s and 50s)

As retirement gets closer, protecting savings becomes more important.

A possible allocation might be:

- 60% stocks
- 30% bonds
- 10% cash

This mix balances growth opportunities with greater stability.

Nurses Near Retirement (60s and Older)

Investors approaching retirement may want to reduce risk because they may soon need to use their savings.

A possible allocation might be:

- 40% stocks
- 50% bonds
- 10% cash

This approach focuses more on preserving wealth while still allowing for some growth.

The Importance of Diversification

Diversification works hand-in-hand with asset allocation.

Diversification means spreading investments within each asset class. For example:

• Owning many different stocks instead of just one company.

- Investing in both U.S. and international markets.
- Holding different types of bonds.

Many nurses use mutual funds or exchange-traded funds (ETFs) because these investments provide instant diversification.

Rebalancing Your Portfolio

Over time, investment values change. A

portfolio that started as 60% stocks and 40% bonds may become 70% stocks and 30% bonds if stocks perform well.

Rebalancing means adjusting investments to return to the original target allocation.

Benefits of rebalancing include:

- Maintaining the desired risk level.
- Preventing one investment type from becoming too large.
- Encouraging disciplined investing.

Many retirement plans offer automatic rebalancing features.

Summary

Asset allocation is one of the most important investing decisions nurses can make. Rather than trying to predict market movements, it focuses on building a balanced portfolio that matches personal goals and risk tolerance.

Key Takeaways

- Asset allocation means dividing investments among stocks, bonds, and cash.
- Different asset classes help balance risk and reward.
- Younger nurses often invest more heavily in stocks for growth.
- Older nurses typically increase bond holdings for stability.
- Diversification helps reduce risk within each asset class.
- Rebalancing keeps a portfolio aligned with long-term goals.
- A thoughtful asset allocation strategy can help nurses build financial security for retirement.

By understanding and applying asset allocation principles, nurses can take important steps toward achieving long-term financial success while continuing to focus on caring for others. ■

For more information, please call or e-mail Chip Stanley. Without cost or obligation, and because you are a member of the South Carolina Nurses Association, Chip will work with you to create a personalized Financial Plan designed to help you pursue your financial goals and build long-term financial confidence.

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