Rebalancing

Lesson: zerotoinvest.com/en/lesson/rebalancing/

Name _____ Date _____

EXERCISE 1

Target 70 percent stocks, 30 percent bonds. You have $16,000 in stocks and $4,000 in bonds. What do you do?

Your answer

EXERCISE 2

Target 60 to 40. You have $11,000 in stocks and $4,000 in bonds. How much do you shift?

Your answer

EXERCISE 3

$12,000 in stocks, $3,000 in bonds, target 70 to 30. You put $500 a month into bonds only. After how many months is the target reached?

Your answer

EXERCISE 4

Your target is 60 percent stocks, right now it is 66 percent. By the rule from the lesson: rebalance or not?

Your answer

Tip: the calculators on zerotoinvest.com help you check your answers.

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Solutions: Rebalancing

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Exercise 1. Total $20,000, target $14,000 in stocks. Sell $2,000 of stocks and buy bonds with it.

Exercise 2. Total $15,000, target $9,000 in stocks. $2,000 from stocks into bonds.

Exercise 3. Bonds must be 30 percent of the total: $3{,}000 + 500\,n = 0.3 \times (15{,}000 + 500\,n)$. That gives $n = 4.3$, so after 5 months, without selling anything.

Exercise 4. Yes. The 6 percentage point gap is above the threshold of about 5.

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