

Asset Allocation. What it is and why it's so important for your future.

For many people, the term “Asset Allocation” is an elusive concept, and yet any investment expert will tell you how fundamental Asset Allocation is to the success of your investment strategy—whether it's investing for retirement, preserving capital or building wealth.

What exactly is Asset Allocation?

Asset Allocation is deciding what percentage of your workplace savings plan money should be invested in each of the three major asset classes (stocks, bonds, and short-term cash investments). By investing in a number of different asset classes, short-term declines in one asset class can be offset by gains in another. Keep in mind that your ideal asset allocation mix will depend on your particular financial goals, time horizon and risk tolerance.

So, what is “Diversification”?

Diversification and Asset Allocation go hand in hand when it comes to creating a truly balanced investment portfolio. Toward that goal, Diversification is spreading your money among different types of investments that fall within each of the three asset classes. For example, rather than placing all your money in the stock of one company or in a single bond, you can invest in different stocks across different industries and in a variety of bonds. That way, if one company or bond doesn't do that well, your entire portfolio isn't affected.

Over 90% of a portfolio's performance may depend on having the appropriate mix of investments in the three asset classes (stocks, bonds and short-term cash investments).

Source: The Asset Allocation Decision presentation 1990–1998. Ibbotson Associates, Chicago.

Why is Asset Allocation so important?

Historically, Asset Allocation has proven to be an effective way to moderate the market's ups and downs, and thereby help minimize one's exposure to investment risk. By allocating your money among the three asset classes, you avoid having to guess which will do best at any given time. For example, a jump in corporate earnings can cause stock values to go up, where a rise in interest rates can drive the value of bond funds down. Because investments in each of the three asset classes tend to perform differently from each other, you can actually take advantage of these differences and in doing so increase your investment return potential. Please keep in mind that neither Asset Allocation nor Diversification ensures a profit or guarantees against loss.

Where do I go from here?

There are many helpful tools and resources available at www.fidelity.com/atwork and within Fidelity NetBenefits,SM to assist you in building your own Asset Allocation strategy. You can also speak with a Fidelity Retirement Services Specialist by calling 1-800-343-0860.

Is there an alternative to having to do it all yourself?

If you don't have the time, inclination, or knowledge to create and manage a well-diversified portfolio on your own, you may be able to get the kind of Asset Allocation necessary to help achieve your goals by choosing a Fidelity Freedom Fund. To learn more about the Fidelity Freedom Funds[®] and how they could benefit you, go to www.fidelity.com/atwork/freedom, or call 1-800-343-0860 to speak with a Fidelity Retirement Services Specialist.

Before investing in any investment option, please carefully consider the investment objectives, risks, charges and expenses. For this and other information, call Fidelity at 1-800-343-0860 or visit www.fidelity.com for a free mutual fund or variable annuity prospectus or a fixed annuity fact sheet. Read it carefully before you invest.

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82 Devonshire Street, Boston, MA 02109

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