



Finding the Right Asset Allocation

Select a plan—and stick with it

How you invest across stocks, bonds and cash—your asset allocation—is one of the keys to long-term success. That's because these three basic asset classes respond to the market differently. When one is up, another can be down.

For instance, stocks are the most volatile and respond more quickly to market movements. Bonds, on the other hand, can provide a more stable return. Investing in both can help smooth out volatility.

Choosing the allocation that's right for you

How you allocate your assets should be based on three things:

- Your goals—both short- and long-term
- The number of years you have to invest
- Your tolerance for risk

Basing your asset allocation on these three important factors will make it easier for you to stick to your plan over the long term—even during years when there's a loss. Here are some basic model asset allocation plans.

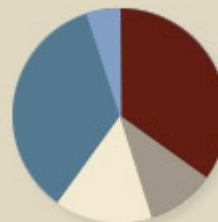
Strategic asset allocation models

Conservative Allocation



- 15% Large-Cap Equity
- 0% Small-Cap Equity
- 5% International Equity
- 50% Fixed Income
- 30% Cash Equivalents

Moderate Allocation



- 35% Large-Cap Equity
- 10% Small-Cap Equity
- 15% International Equity
- 35% Fixed Income
- 5% Cash Equivalents

Aggressive Allocation



- 50% Large-Cap Equity
- 20% Small-Cap Equity
- 25% International Equity
- 0% Fixed Income
- 5% Cash Equivalents

Source: Schwab Center for Financial Research.

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