FinStart

What's an asset mix?

Asset mix is the proportion of fixed income and equity investments in your portfolio that suits your risk appetite.

- Equity investments are meant to help you grow your wealth.
- Fixed income investments are meant to help you preserve your wealth.
- Historically, the prices of fixed income and equities have not been moving up and down together (this is referred to as low correlation). When equities were losing value, fixed income tended to make money or at worst lose less value than equities.

Commonly used asset mixes look something like this:

ASSET MIX	EQUITY	FIXED INCOME
Aggressive	100%	0%
Growth	80%	20%
Balanced	50%	50%
Conservative	35%	65%
Income	20%	80%

Your asset mix should reflect 2 things:

1. When you'll need the money (your investment horizon)

- Let's say you know you'll need to buy a car in 5 years. You'll really need the car at that time and you won't be able to take an investment loss and wait for the financial market to recover. A more conservative asset mix would be appropriate.
- If you're saving for something like your retirement, you won't need the money for a very long time. You can afford to risk taking losses in the short term in order to maximize returns on your savings in the long run. You can consider a more aggressive asset mix.

2. Your risk appetite

- Think of it in terms of the amount of short-term dollar loss in your investment account that would make you nervous or upset.

When you design your asset mix, you should keep in mind all your assets across all accounts, not just a particular account you're working on. Recall your saving and investing toolkit:

- Savings account
- Employer savings plan
- Your own longer-term investments (across all accounts, if you have more than one)
- You may even include a condo, house, or cottage, if you own one.