

At a glance

As you move from asset accumulation to preservation, meet with your financial advisor to make sure your asset allocation meets your changing needs.

A portfolio that is too conservative may not outpace inflation.

Market volatility and the timing of returns in retirement can have an immediate – and negative – effect on your quality of life.

Allocate your assets among stocks, bonds and cash; diversify across investment styles and market sectors; and rebalance regularly.

Asset Allocation for Retirees

Risk, return and retirement

Retirement is all about rebalancing – your goals, your time, your relationships and your activities. Along with all these other changes in your life, it may be time to shift your asset allocation to better meet your needs. Here's why it's important to find the right balance for you in retirement.

Moving from accumulation to preservation

Conventional wisdom says go conservative in retirement – heavier on bonds, lighter on stocks. But inflation may outpace your portfolio if it's too conservative, which may deplete your assets more quickly. In addition, with longer life spans increasing the length of retirement, many need to continue growing principal, which historically has been provided by stocks.

Time is no longer on your side

When you are saving money for retirement, the longer the time horizon, the better. A longer time horizon may reduce risk because short-term market losses may be recovered over time. When you retire, however, the longer the time horizon, the greater your risk of depleting your savings too soon. And the retirement time horizon has increased due to longer life expectancy.

Timing is everything

As you accumulated your retirement savings over decades, you encountered years of good returns on your investments, as well as years of disappointing returns. These ups and downs seemed of less concern than your long-term focus on the final amount saved.

But market volatility and the timing of returns in retirement can have an immediate – and negative – effect on your quality of life. That's why asset allocation remains an important strategy.

Basic rules don't change

While retirement changes some aspects of asset allocation, three basic rules still apply:

1. Allocate among the three major asset classes:
 - Stocks, which historically have provided the highest long-term total return but are also the most volatile asset class.
 - Bonds, or fixed-income investments, which historically have provided lower returns than stocks but have been more stable.
 - Cash investments, which historically have provided the lowest returns but are the most stable and liquid asset class.
2. Diversify across a variety of investment styles and market sectors to help manage risk.
3. Rebalance your asset allocation regularly to make sure your portfolio stays on target.

Talk to your financial advisor

Each retiree's income planning profile is different. That's why it's important to work with your financial advisor to find the asset allocation strategy that addresses your individual time horizon, risk tolerance and goals for retirement. Talk to your financial advisor about how an investment plan and Invesco Aim can help you pursue your financial goals.

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Consider the investment objectives, risks and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.

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Supplemental Information

As of Sept. 30, 2009, Invesco Aim's assets under management were approximately \$157 billion and Invesco Ltd.'s assets under management were approximately \$417 billion.

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