Creating Your Own Personalized Wealth Plan With PRISM

Charles Rotblut, CFA

Vice President &
AAII Journal Editor

The PRISM Wealth-Building Process provides a framework for aligning your investment decisions with your goals.

The five steps of PRISM empower you to create a personalized investment plan and have the confidence to follow it.

AAII Journal PRISM Articles

Read Comments (1)

2021 Investor Conference 360 | Portfolio Strategies | PRISM Wealth-Building Process

Effectively Monitoring Your Portfolio

by Charles Rotblut

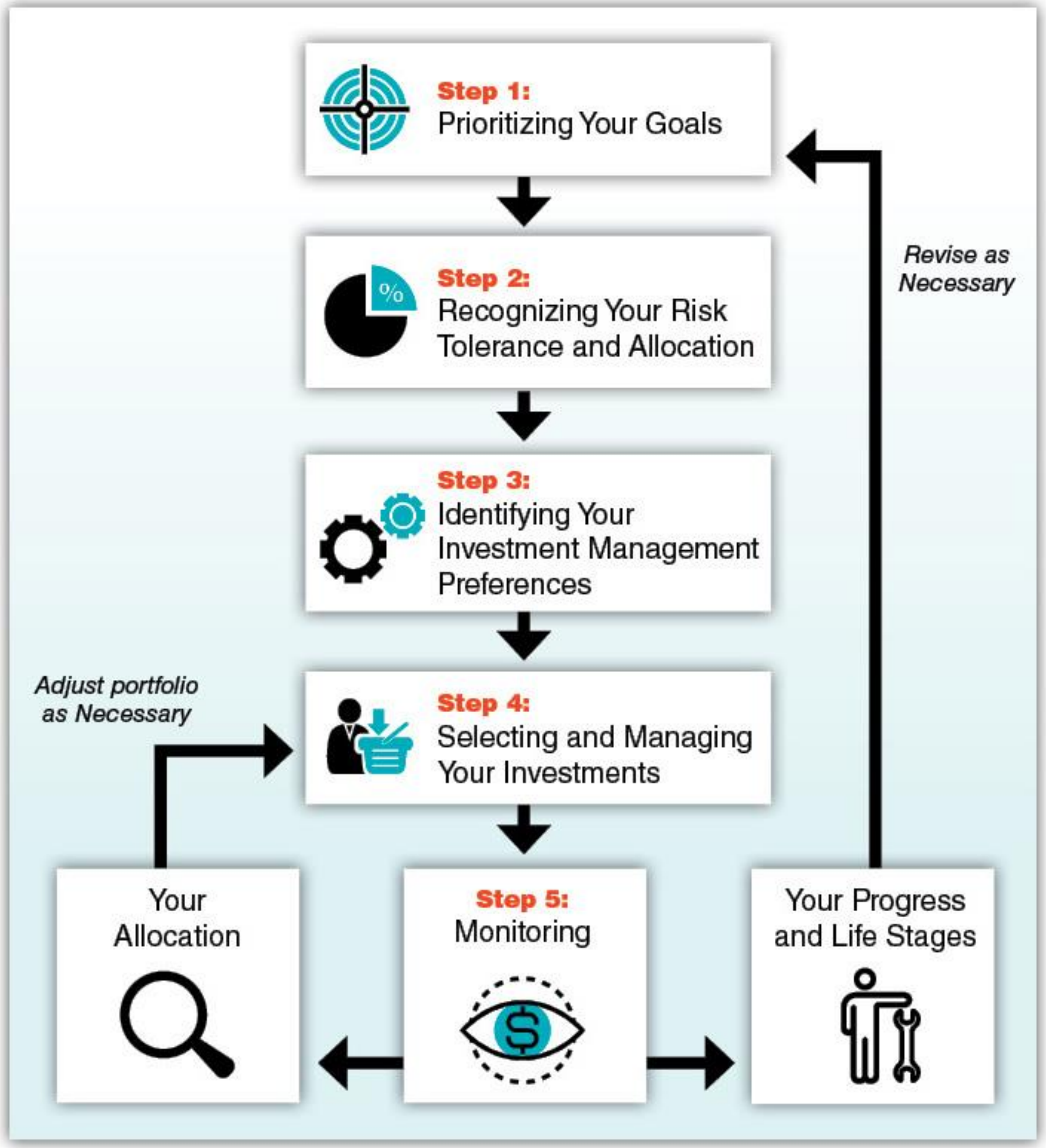
Charles Rotblut recently spoke at the AAII Investor Conference 360. Video replays of all sessions are available for purchase. Go to www.aaii.com/investorconference for more details.

Charles ("Charley") Ellis once described the secret to successful investing as "simply not making big mistakes." Many big mistakes occur when investors look at or review their portfolio. Emotions, biases, failing to consider the timing and duration of goals and an overall sense of needing to do something commonly leads to mistakes.

We see the impact of these mistakes in studies on investors' returns. Morningstar's "Mind the Gap 2021" report found the returns realized by investors were

PRISM:
The Wealth-Building Process

PRISM Process Flowchart



THE EXPERTS | WEALTH MANAGEMENT

How Young Adults Can Simultaneously Save for the Short Term, Retirement and a House

The trick is to set up multiple accounts, and mentally treat them differently

Rather than segmenting your portfolio based on time until withdrawal, consider segmenting your portfolio by each goal.
PHOTO: GETTY IMAGES

By *Charles Rotblut*
Oct. 12, 2021 12:23 pm ET

Let’s hear from you.

I Use a PRISM-Like Approach

I Rebalanced My 403(b) Account This Week

by Charles Rotblut | April 22, 2021

Charles Rotblut, CFA
AAII Journal Editor

Earlier this week I rebalanced my 403(b) workplace retirement account. I reduced my exposure to stocks—particularly domestic large-cap and small-cap stocks—while increasing my exposure to real estate investments trusts (REITs) and bonds.

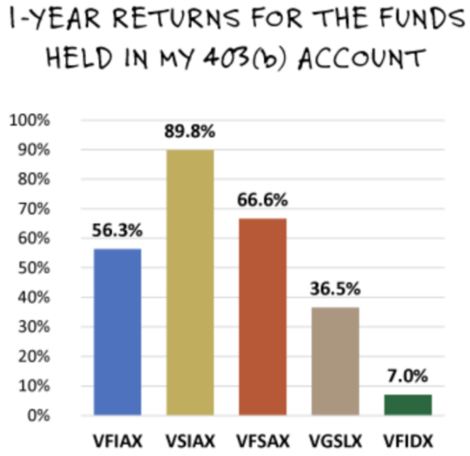
The change is being done at a time that stock valuations are elevated. Optimism in the AAII Sentiment Survey is unusually high, and pessimism is unusually low. Bond yields, though having risen considerably over the past eight months, appear to have stabilized. There are also expectations for workers to begin returning back to offices in some fashion over the summer and fall as more and more Americans get vaccinated.

Any or all of these factors could play into one's tactical decisions with how they allocate their portfolios. None of them had any influence on my decision to rebalance.

I simply rebalanced because my allocation weightings were too much off-target. The target allocation for my 403(b) account is 20% in each fund. I allow a margin equivalent to five percentage points in either direction before making adjustments. I check the portfolio twice a year, near the end of October and near the end of April. When I looked at my 403(b) account last weekend (for the first time in approximately six months), I noticed my bond allocation had fallen to approximately 14% and the small-cap value allocation was close to 25%. This was the sole reason I chose to rebalance.

You can see the funds I hold in the chart to the right. I've maintained this allocation for many years. It reflects my long-term goals of being able to afford retirement, my own personal tolerance for risk and long-term return and diversification data. (This allocation may or may not be appropriate for you. The Individual Investor Wealth-Building Process can help you determine what is the appropriate approach for you.)

It's very possible that my decision to rebalance now could look very smart or quite silly over the short term. I am not worried about it. I am more concerned with maintaining a



Source: One-year returns through March 31, 2021. The funds I hold in my 403(b) account are Vanguard 500 Index (VFIAX), Vanguard Small Cap Value Index (VSIAX), Vanguard FTSE All-World ex-US SmallCap (VFSAX), Vanguard Real Estate Index (VGSLX) and Vanguard Intermediate-Term Investment-Grade (VFIDX). Data from Morningstar.

PRISM Wealth-Building Academy

Community Home | Discussion 20 | Library 1 | Blogs 0

PRISM Academy - Step 1: Prioritizing Your Goals

Start learning and interacting now. Access your PRISM Wealth Building Process video lessons by clicking on the links below.

- Welcome to the PRISM Wealth-Building Process Academy
- Lesson 1: Prioritizing Your Goals
- Lesson 2: Why Start with Goals?
- Lesson 3: What Are Your Goals?

PRISM Wealth-Building Academy:

https://www.aaii.com/learnandplan

AAII Community:

https://community.aaii.com/home

Upcoming Webinars

Register at
www.aaii.com/webinars

Individual Investor Show: Wise Words From Our 2021 Conference Speakers

Hosted by Jenna Brashear
Wednesday, October 20, 2021
7:30 PM CDT

AAII Platinum Open House

Presented by Wayne A. Thorp
Monday, October 25, 2021
2:00 PM CDT
Note special day and time