How to Be A 'Seasonal' Investor

As we transition from summer to autumn, change is all around us — leaves are taking on new colors, temperatures are dropping, and the days are getting shorter. But you can also experience different seasons in various aspects of your life — including when you invest. What are the seasons of an investor's life? And how should you respond to them?

The first such season may happen when you are in your 20s and just starting out in the working world. At this stage in your life, it's especially important to prioritize your financial goals. At the top of your mind may be a short-term goal, such as saving for a down payment on a house. To help achieve this goal, you'd generally want to save in "cash" accounts and invest in fixed-income vehicles that offer preservation of principal. At the same time, you don't want to disregard a longer-term goal — in particular, saving for retirement. While you may not be able to afford to put much away, every amount helps. And you'll want to invest for growth.

Now, as the seasons of your life progress, let's consider your early middle years. At this point, you've moved past the down payment on your home and you're well into paying a mortgage regularly. And you might even have retired your student loans. But now, you may have another major goal — helping build resources for your children's college education or other post-secondary training. For this objective, you could consider several options, one of which is a 529 education savings plan, which can provide federally tax-free earnings and withdrawals if the money is used for qualified educational expenses. But you're also moving closer to retirement, so, if you can afford it, you may want to increase your contributions to your IRA and your 401(k) or other employer-sponsored retirement plan.

As the seasons continue to move on, and you find yourself in your later middle years, your financial situation may have changed significantly. Now, your children may be out of school, your earnings may have grown to their highest level, and you might even have paid off your mortgage. Given these factors, you may now be able to devote more of your resources toward your retirement by ramping up your IRA and 401(k) contributions even further, and possibly also considering other investment vehicles. And you may want to inject more balance into your portfolio, possibly lowering its overall risk level somewhat, especially in the years immediately preceding your retirement.

Once you move into your retirement season, you may need to continue, and possibly accelerate, the movement toward a more balanced portfolio — one that provides you with more income-producing opportunities. Some investments provide current income, while others provide it in the future, but all of them can contribute to your ability to enjoy your retirement life-style. However, you still need some growth-oriented investments to help keep you ahead of inflation. Plus, it's a good idea to keep at least a year's worth of living expenses in cash and another few years' worth in short-term, fixed-income investments. By doing so, you can help avoid having to sell assets in a down market.

The seasons of your life may come and go more quickly than you realize — but you can be prepared for them by making the appropriate investment moves.

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