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Hello and welcome to Asset TV. Here to discuss rebalancing in the current market environment is Joe Montgomery. He's managing director of investments at the Optimal Service Group of Wells Fargo Advisors. Joe, thanks for joining us.

Pleasure to be with you.

So Joe, do you think now is a good time for investors to consider rebalancing?

Well, certainly I think they should have it in mind always, but the volatility has certainly created opportunities. There's been some dislocation in prices versus other assets, and that's what it really comes down to. When you're thinking about rebalancing, you're really thinking about two things, risk and recovery.

Yeah, I mean, I'm glad you bring up the recovery. How do you think rebalancing can help potentially accelerate that recovery?

Right. It's pretty fascinating to me that the broader the allocation, in other words, if you go from just stocks to bonds to alternatives to real assets, on an on expanding, you actually lower the risk historically over almost any market cycle. And in addition, it speeds up your recovery. So if you were looking at a period like 2007, 2009, if you had a 60-40 blend of stocks and bonds, it took about 36 months to recover if you rebalanced. If you didn't, it took about 38.

If you had a broader allocation, including four major groups I mentioned, that improved to 29 months. That's a big percentage increase. It makes a big difference. You pair that along with your volatility was lower, your risk overall was lower. Makes it very compelling. And it's really these days pretty simple to do.

And building off of that, I mean, how often would you recommend rebalancing in general?

Wow, that's a great question. That's one that I think-- Diogenes was searching for the honest man. I'm always searching for the rebalance time frame. Quarterly is really good, but you have to take into account taxes also frequently. I mean, if it's a taxable account. So you probably want to do it at least annually, but where you don't have a restriction for taxes probably quarterly. And another way to approach it is if you get a certain level of volatility in the larger classes, you want to monitor those

like equity. And if you get a big swing, you may want to force a rebalance sooner.

And anything else that you find has been effective in terms of rebalancing?

Well, I think paying attention as you broaden the mix, it's really important to pay attention to the percentages. Because if you have small increments, such as let's say you had 5% in an asset class. You get a 2% increase overall. So if you move up to seven, that's actually a big swing in that asset. So you want to pay attention. Requires probably a little more attention. But again, there is a lot you can do with automation on that now.

And finally, Joe, you brought up taxes, which we're currently around the time when it's traditionally been tax day. Things are a little bit different this year, obviously. Any final tax advice that you would share to advisors, investors?

Yeah, that's a great question. In our group, we tend to think of Christmas in August. So what we do is we treat it as coming to the end of the year, and we try to analyze in the second half, in other words, of the year before we get to the December when everybody is normally thinking of tax law selling. We like to harvest losses along the way. And I think from a tax standpoint, it really makes sense, because that also helps you with the rebalancing. A lot of times you can accomplish two things at the same time.

And a lot more harvesting going on this year probably.

Yes, I would say. And I think it's very timely at any time, but right now you've got a lot of swings, but it has to be done smartly, I think.

Well, Joe, always great to have you. Thanks so much for joining us. Pleasure to be with you anytime. Be safe. Be well.

Thanks. You too, Joe. And thank you for watching. That was Joe Montgomery, Managing Director of Investments at the Optimal Service Group of Wells Fargo Advisors. I'm Jenna Dagenhart for Asset TV.