

**Q: I have just received a windfall cash payment. How should I invest it?**

A: This is a more frequent question than you might expect though more people write to ask about what to do when they've lost some significant amount of money. The first thing to do in either case, in my view, is to check your allocation of investments. (There is a simple computer program on [www.analyzenow.com](http://www.analyzenow.com) that allows you to do this, or you can do it by hand.) You want to know if you need more stocks or more fixed-income investments.

I use the rule that my nominal stock allocation should be a percentage equal to 105 minus my age. So now at 79, my nominal stock allocation is 26%. However, I do not take any rebalancing steps by selling or buying stocks unless the stock gets 5% more or 5% less than my nominal value. In my case now, that's 21% to 31% of my investments. This formula has made me sell stocks when they are high and buy when low—just like you are supposed to do and not what most people end up doing.

I don't recommend specific stock or bonds. That is a choice that either you or a professional will make for you. I personally prefer broad index funds for stocks like a low-cost S&P 500 index fund and individual issues for bonds (now mostly government bonds), but that may not be to your liking. Incidentally, I do not count my pension or immediate annuity payments as part of my fixed-income investments. I think that doing so is very misleading and leads to too heavy an investment in the stock market, particularly for the elderly.