One of the hardest parts of investing is selling stocks or bonds that have done well. But that's exactly what you have to do when rebalancing your portfolio—and rebalancing is one of the smartest things you can do as an investor.

Balanced portfolios are built with specific proportions of stocks and bonds that act as counterweights. A typical balanced portfolio might include 60% stocks and 40% bonds, for example. The right balance for any individual may be different based on how aggressive or conservative they are.

When you rebalance, you selling stocks and buying bonds, or vice versa, in order to restore the original balance. Why is that balance important? Because it gives you a chance to achieve your performance goals while limiting risk to a level that you're comfortable with.

In simple terms, stocks and bonds generally move independently of each other. When one is headed down, the other will likely be headed up. As a result, balancing the two asset classes can keep your returns from behaving like a gut-wrenching rollercoaster.

One of the great benefits of rebalancing is that it forces us to lock in gains. It's human nature to want to hold on to our winners, even though history shows that no investment rises forever. Rebalancing has saved many investors from holding on to winners for so long that they reverse course and become losers.

No portfolio is immune to becoming unbalanced. Inevitably, one asset class does better than another, and after a few months any portfolio will become lopsided as a result. When that happens, your portfolio automatically becomes either more conservative or more risky than you intended.

I frequently see unbalanced investments within 401(k) accounts. Participants make contributions automatically, and they tend to have a set-it-and-forget-it attitude. They might see that their account balance is growing, but not pay enough attention to whether it's getting out of balance. Obviously, this is important because their retirement plans are at stake.

Most investors should rebalance at least once a year; it's usually not necessary to do it more than twice. I recommend rebalancing when clients' stocks or bonds are 5% above or below their target level.

If your portfolio hasn't been rebalanced lately, now is a good time to come in and look it over with us. Since our stock- and fixed-income investments have both done well for quite a while now, it's appropriate to lock in gains on any holdings that look pricey.

We can also help you decide what to buy with the proceeds from your sales. At this point in the market cycle, it's a good idea to get professional help selecting promising individual securities and avoiding dangerous ones. Please get in touch if you'd like to schedule a review of your portfolio.