One of the most important parts of successful investing is making course corrections on a regular basis.

In a nutshell, this means well-thought-out buying and selling designed to a) help keep your portfolio safe and b) ensure you'll be able to fund the goals you're investing for. I approach this in two main ways: Portfolio rebalancing and sector rebalancing.

Portfolio rebalancing means selling an asset type (stocks and bonds, for example) after they've been doing well, and buying them after they've been doing poorly. Against the current backdrop, where stocks are down 5% from a month ago, that might mean selling bonds, which are generally slightly up over the same period, to buy more stocks.

Selling the good performers to buy more of the bad performers is definitely counter-intuitive for many investors. Here's why it makes sense:

Any investor working toward funding retirement or other big goals should have balanced portfolios. These portfolios contain a mix of stocks, bonds and possibly other asset types that serve as counterweights. Depending on a typical investor's goals and risk tolerance, a balanced portfolio might be 60% stocks and 40% bonds. The idea is that if stocks plunge, bonds may fare better, and you'll own enough of them to mitigate the stock losses. And vice-versa. Hedging against big portfolio losses in this way is s proven way to earn higher returns over time.

By rebalancing, you restore the original, optimum ratio of stocks to bonds in your portfolio. When stocks soar, as they did for many years after the 2008/09 market crash, you might end up with a portfolio that's overweighted to stocks. The solution in such cases is to sell stocks and use the proceeds to buy bonds.

There's no need to go overboard with rebalancing; generally once a year is enough, and it's rarely necessary to do it more than twice. I recommend rebalancing when your stocks or bonds are 5% above or below their original level in relation to the other.

While rebalancing asset types has traditionally been enough to keep portfolios strong, it's been a little less effective in recent years. That's because stocks' and bonds' traditional behavior, in which one typically did well while the other struggled, has changed. For much of the past decade, the two asset classes have begun moving more in-step with each other. As a result, traditional rebalancing by itself hasn't been enough.

That brings us to sector rebalancing. This is similar to asset-class rebalancing in that it involves selling strength and buying weakness. In sector rebalancing, we sell sectors that have done well and buy struggling ones that may be poised to improve. An example right now might be technology, where stocks have tumbled dramatically over the past few months. Again, it may be counter-intuitive to buy a struggling sector and sell one that's done well. But the cardinal rule of investing is to sell high and buy low—and sector rebalancing can help us to do that.

Especially if you have not done rebalancing in some time, the beginning of the year is a good opportunity to meet with an advisor and make sure your investments are striking the right balance of risk and potential reward. Your future goals are riding on it. Please reach out to us if you'd like to schedule a review of your portfolio.