BONDS

Bonds generally provide regular income and less volatility than stocks, and can act as a cushion against the unpredictable ups and downs of the stock market. Often, bonds do not move in the same direction as stocks. Investors who are more concerned about safety rather than growth often allocate more of their portfolio toward Treasury or other high-quality bonds rather than stocks. That safety has a price, though: Many bonds, especially high-quality bonds, won't offer returns as high as stocks over the long term.

SHORT-TERM INVESTMENTS

Short-term investments include money market funds and short-term certificates of deposit. Money market funds are conservative investments that offer easy access to your money and stability of principal. Their goal is to preserve the value of your investment at $1 per share, but in exchange for that safety, money market funds usually have lower returns than bond funds or individual bonds. While money market funds are considered safe and conservative, however, they are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) the way most CDs are.

INTERNATIONAL STOCKS

International stocks and bonds often perform differently than their U.S. counterparts, and provide exposure to parts of the world not represented by U.S. fixed income securities. If you're thinking like a global investor and have a healthy appetite for risk, consider some allocation to foreign stocks. The U.S. stock market, though huge, represents roughly just half the global stock market.

U.S. STOCKS

U.S. stocks represent the most aggressive portion of your portfolio. Stocks provide the opportunity for higher growth over the long-term. But this greater potential reward carries a greater risk, particularly in the short-term, because market volatility may mean your investment is worth less when you sell it.