Portfolio Rebalancing: Calculate Drift Before You Trade

Description

MoneySense recommends reviewing and rebalancing a portfolio against goals, horizon and risk. The practical trigger is measurable allocation drift, not a headline or feeling. Investors can redirect new cash, reinvest income or trade holdings, but should calculate fees, spreads, taxes, liquidity and near-term spending first.

This article is written for a Singapore investor whose portfolio has moved away from its intended asset allocation and resolves one task: measure allocation drift and choose a cost-aware rebalancing method without turning the exercise into market timing. It is deliberately narrow. The decision should be made from the controlling condition and current evidence, not from a similar case or a convenient search snippet.

Separate the decision from the order

Your situation	Next move
Drift is small and regular cash is available	Redirect contributions before selling
One holding exceeds the risk band materially	Model a partial trade and its costs
Money is needed within a few years	Protect liquidity before restoring long-term targets
The target itself no longer fits the goal	Redo the plan rather than mechanically returning to an obsolete allocation

Money decisions should show the objective, time horizon, capacity for loss, costs, tax or estate consequence, and the person authorised to act. Keeping those fields separate prevents a convenient product or form from becoming the strategy.

Calculate current weights

Divide each asset class by total investible portfolio value on the same date. The controlling rule is set out by MoneySense portfolio construction guide.

Action: Use one valuation timestamp and include cash intended for investment. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Define a drift rule

A threshold can be absolute percentage points or relative to target. Consistency matters more than hindsight.

Action: Write the rule before seeing the result. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Use cash flows first

New contributions, dividends and interest can reduce drift without realising positions.

Action: Project the next six to twelve months of cash flows. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Price the trade

Brokerage, bid-ask spread, fund switching terms, platform charges and currency conversion reduce the benefit. The companion procedure was checked against MoneySense portfolio maintenance guide.

Action: Calculate total cost as a percentage of the amount rebalanced. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Protect near-term needs

An allocation that ignores emergency cash and scheduled spending is not complete.

Action: Remove near-term liabilities from the risk portfolio. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Review concentration

Asset-class weights can look balanced while one issuer, sector or currency dominates.

Action: Add issuer and currency concentration columns. Add the date and the document or screen used, so the conclusion can be checked without reconstructing it from messages later.

Two LBRD tools to use

an allocation-drift calculator showing target, current weight, percentage-point drift and trade value

Build this from the facts above. Give every row one owner and one status: confirmed, pending or not applicable. Where a number is involved, show the input and arithmetic. Where a route or eligibility test is involved, show the condition that selected the branch. This is LBRD analysis, not an authority decision.

a cash-flow-first rebalancing comparison that prices contributions, income and partial trades

Use this as the second-pass check. Link the conclusion to its source, record the date checked and attach the evidence that supports the next action. Unknowns stay visible; they are not filled with assumptions merely to complete the sheet.

Worked example

A S$200,000 portfolio targets 60% equities and 40% bonds but has moved to 68% and 32%. Restoring the target immediately implies moving S$16,000 from equities to bonds. If S$8,000 of new cash and distributions will arrive shortly, the investor can direct that amount to bonds and reassess the remaining S$8,000 after costs and near-term needs. This is an illustration, not a recommendation.

The example changes one consequential fact at a time. That matters because the same headline question can produce a different route when the party, date, amount, document, location or service level changes. Treat the result as a worked analysis and confirm the live facts for the real case.

What the working file should contain

Field	What to record
Subject	a Singapore investor whose portfolio has moved away from its intended asset allocation
Decision	measure allocation drift and choose a cost-aware rebalancing method without turning the exercise into market timing
Evidence date	The date each official page, record or notice was checked
Owner	The person responsible for the next action
Fallback	The safe alternative if a condition is not met

Final check

1. Redirect contributions before selling.
2. Model a partial trade and its costs.

3. Protect liquidity before restoring long-term targets.
4. Redo the plan rather than mechanically returning to an obsolete allocation.
5. Remove near-term liabilities from the risk portfolio.
6. Add issuer and currency concentration columns.

Recalculate material amounts from the statement or official calculator, then record assumptions. A worked example is a planning aid, not a return forecast, entitlement or legal conclusion.

Limits and escalation

This is general education, not personalised investment advice. Product tax, currency, liquidity and transaction-cost consequences vary by investor and platform.

If a material fact is disputed, stop before the irreversible step. Ask the controlling authority, operator or an appropriately qualified professional, and keep the reply with the working file. Do not turn an estimate, example or inference into a confirmed entitlement, deadline, price or outcome.

Continue with these LBRD guides

For the next adjacent task, read CPFIS Fees: Calculate the Cost Before Every Trade. A second useful route is Daily Leverage Certificates: Run the Two-Day Loss Test. Both links point to live pages with a different primary intent.

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