Owning bonds hasn't been very attractive for the past few years, and 2022 was the low point. A cross-section of bonds, as represented by the Bloomberg Aggregate Bond Index, registered a 15% loss in 2022. And with interest rates low for much of last year, bonds provided very little if anything in the way of yield.

Things look a lot different this year. Yields on all types of fixed income are way up, thanks to the Federal Reserve's campaign of raising interest rates to fight inflation. And while the bond market as a whole is flat, fixed income is once again looking like it belongs in investment portfolios.

Bonds' traditional role in an investment portfolio has been to balance the risk of stocks, which historically have been more volatile than bonds. Stocks, meanwhile, are supposed to provide more long-term growth than bonds. However, bonds prior to this year yielded so little, and performed so badly, that they did nearly nothing to mitigate portfolios' risk.

As a result, many investors gave up on bonds and piled into stocks, causing once-balanced portfolios to become lopsided—and riskier—in favor of equities. Now is a good time to take a fresh look at your portfolio, and to make sure you have enough diversification to get good long-term returns without undue risk.

It might be tempting to stay overweighted to stocks. After all, the S&P 500 index of stocks returned 27% in 2021, 16% in 2020 and 29% in 2019. Those years were anomalies however: The S&P's annual return has averaged less than 10% over the past 20 years. And as we saw last year, when the S&P fell 19%, stocks can be very volatile.

Could bonds have more bad years? Of course; no investment is guaranteed to make money. But positive yields mean better overall returns. Safe, short-term treasuries are yielding as much as 5% right now; many corporate and muni bonds yield even more. Even one-year CDs are yielding more than 4%.

In deciding on a mix of investments, it's important to use your goals as your guide. If retiring comfortably requires an 8% return over the next 15 or 20 years, there's no need to take the kind of stock-heavy risk needed to earn a 15% return. The point of investing isn't to bet the farm on gaudy returns. It's to help you achieve real-life goals on your individual timeline, without the risk of blowing up your portfolio. With fixed-income investments looking better than they have in years, this is a very good time for a portfolio checkup. If you agree, don't hesitate to call us.