

# Skill Builders Newsletter



## COMMON SENSE INVESTING

Your Money in a Complex Economy

By Bill Lynott

**ABWA**  
*Express*  
**Network**<sup>®</sup>

**American Business Women's Association**

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Arguably, saving and investing for a comfortable retirement has never been more difficult and complex than it is these days. The breathtaking roller coaster ride that began with the improbable stock market gains of the 1990s and ended with the economic meltdown that began in October 2007 has left many business owners and professionals agonizing over what to do next. Realistically, there are no simple answers.

One of the “tried and true” investing philosophies known as buy-and-hold (buying quality stocks and holding on to them during good times and bad) is no longer sacred in the minds of some financial advisors.

“Not only is buy-and-hold dead, it was never alive,” says Matthew Tuttle, President, Tuttle Wealth Management, Stamford, Conn. “It worked from 1982 to 1999 but anything would have worked during that period.”

While there is no shortage of professionals in agreement with Tuttle, it’s not difficult to find others who sharply disagree. With no clear cut consensus, that leaves it up to individuals to decide for themselves whether buy-and-hold makes sense in today’s economy. Fortunately, there are many other investment philosophies that meet with near unanimous approval from the pros.

#### **Diversification**

Most financial advisors agree that asset allocation and diversification is one of the most important keys to successful investing in any economy. Allocating your assets skillfully among the various classes of investments is more important than your selection of individual stocks or mutual funds, according to the pros.

So, what is the best asset allocation for you?

Should you have 10% of your portfolio in stocks, or should it be 80% or 90%? What about the rest? Should you invest the balance in bonds, CDs, or should you stuff it under the mattress?

For an asset allocation calculator that will help with this decision, log on to [http://www.forbes.com/tools/calculator/asset\\_alloc.jhtml](http://www.forbes.com/tools/calculator/asset_alloc.jhtml).

#### **Rebalance At Least Once a Year**

Once you’ve decided on the best asset allocation for your circumstances, it’s important to make adjustments at least once a year. As the prices of stocks in your portfolio fluctuate, the allocation ratio that you have established will change. If the total value of your stocks has risen, you may want to sell off some of them to restore your original ratios. If their value has dropped, shift more cash into equities to restore your formula.

If your investment portfolio is largely within an IRA, 401(k), or other retirement plan, consider rebalancing at least twice a year.

**Bad News:** The stockmarket and economic roller coaster ride have professionals feeling unsure about what to do next.

*“Realistically,  
there are no simple  
answers.”*

**GOOD NEWS:** ABWA has a veteran finance expert to provide a few simple investment philosophies to help you make smart investment decisions.



## Maximize 401(k) Contributions

If at all possible, maximize your annual contribution to your 401(k) or other tax-deferred retirement account. Whether you're self-employed or an employee, contributing the maximum allowable amount to your retirement accounts is an important step in setting yourself up for a comfortable and secure retirement.

At this writing, the maximum allowable contributions for 2010 have not been released. However, there are rumors that they may be slightly reduced from those of 2009. Should that happen, it will be the first time that contribution limits have been lowered.

## Stick with your plan

"Creating a plan and sticking with it under all market conditions is the way to maximize your returns," says Jordan Kimmel, Magnet Investment Group, Randolph, NJ. "One helpful technique in this regard is called dollar-cost-averaging -- putting the same amount of money into equities or mutual funds at regular intervals regardless of swings in the market. That way, when prices are higher, you are buying fewer shares; when prices are lower, you are buying more shares. Dollar-cost-averaging is an effective way to minimize the effects of emotion in financial management."

"It's human nature to chase hot sectors that have already made a significant move," says Certified Financial Planner, Greg Womack, Edmond, Okla. "It's also natural to panic and sell-out when everyone else is doing the same. While it may seem natural, it's not the smart thing. It's important to have an investment strategy and stick to it. If it's in the headlines and everyone else is doing it, you're probably too late."

## Never Trade on Margin

It seemed like such a wonderful idea, or so they thought back in 1929: Put up just a small percentage of the money you need to buy a hot stock and let your broker lend you the balance of the purchase price. Then,

when the price goes up, sell the stock, pay off your loan from the broker and pocket the profit. With that kind of leverage, a rising stock market could make you rich beyond your dreams.

But what if the price of the stock goes down, in which case the broker may demand immediate payment of your loan? Now you have stock worth less than you paid for it and a huge loan that you must pay off. This is exactly what has happened over the years to more investors than you could count.

When you buy a stock and pay for it in full, the most you can possibly lose is your original investment, even if the price of the stock falls to zero (most unlikely). When you buy on margin, your potential loss is literally unlimited -- a scenario that has wreaked financial destruction for many an investor.

As that old chestnut goes: The more things change, the more they stay the same. According to the most successful financial pros such as Warren Buffet, the world's richest investor, common sense remains the best investment philosophy of all.

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## *Invest in Your Professional Network*

As an Express Network member of ABWA, you already understand the importance of investing in your professional development, career goals, leadership skills, and your networking circle.

***Commit a little insider trading by sharing your secret with other professionals who can benefit from America's leading professional Association for women!***

Use these tools from the Women's Instructional Network (WIN)™ to support your efforts:

Download "Why Join ABWA" located in WIN) in the National Library, under the Recruitment category. Email or print this one-sheet for handy reference to all the benefits of membership.

Review and share information from ABWA's "The Art of Recruitment" tools, located in WIN, in the National Library, under the ABWA Training Programs category. You can also use these resources to facilitate a workshop for professional development programming at your next Express Network meeting!

*The Mission of the  
American Business Women's Association*

To bring together businesswomen of diverse occupations and to provide opportunities for them to help themselves and others grow personally and professionally through leadership, education, networking support, and national recognition.

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