MONEY MATTERS

INVESTING FOR DUMMIES

By Jacob Ansel

> ***Investing isn't only for the wealthy. Start by investing monthly in a well-diversified portfolio, and don't keep all of your money in no-risk, low yield accounts. If you don't have debt, it's time to get smart about investing.***

MOST OF MY CLIENTS WANT TO know what to do with their money. Should they leave extra cash in the bank, start a savings account, or invest in CDs, mutual funds, and bonds? Should they use a broker, buy real estate, or target extra cash into a retirement fund? How can you invest your money without spending a lot of time or an arm and a leg doing it? Here are a few tips.

Diversify. One of the best pieces of advice for any portfolio is to make sure it's well-rounded so that assets are protected against losses, inflation, market downturns, and other factors which can affect the value of your investments. A diversified portfolio should include cash in the bank or savings, stocks and bonds, a 401(k) or pension account, real estate, and life insurance. Putting all of your eggs into one financial basket – like only investing in large cap stocks – never makes sense. If you only have stocks, for instance, and the market turns and the value of your stocks go down, your entire portfolio tanks. It doesn't take a dummy to understand that diversification is key to any robust portfolio.

Sock money away. Putting your money in the bank is easy; finding a bank with the best interest rates takes a little work, but it's worth it. Add to the account monthly when you have excess funds. No matter your age, having a well-rounded pension is smart and simple. Make sure to max out your 401(k) annually, especially if your employer matches the investment. Most 401(k)s are invested in mutual funds chosen by professional money managers who do pretty good jobs managing the assets in the plan. The mistake people make is not maxing out the pension annually.

Get a good broker. Opening a managed account that's held by a broker is a smart move. Most accounts managed by brokers are tailored to meet your specific needs and investment goals. An excellent broker will diversify your investments targeting cash, large cap stocks, municipal bonds, foreign investments, and healthcare investments. Interview a few money managers to determine where he'd put your investments and determine the compatibility of the relationship. If you opt to do your own investing, open an account with a popular institution like E*Trade. There are a few things to keep in mind. When you buy a stock at a high price and see it going down, don't make the mistake that others do of dumping it right away. I'd, in fact, suggest buying additional shares. This is dollar cost averaging and it's a smart move. When the stock recovers, you have a reduced risk of loss and a higher potential for gain. It's like buying two suits, one at full retail price, the other at 50% off.

Keep an eye on things. Be sure to review your investments daily, but don't open your portfolio every two hours. Determine once a week what to sell and what to buy. If your goal is long-term growth, keep in mind that over the long run a solid company's stock will double every 15 years, on average.

Real estate. Investing in real estate is a tricky way to invest, but it can yield excellent results. Over the long-term, real estate values increase. Purchasing a multi-unit rental property is an excellent way to build value as well as get rental income (just like dividends). A three-unit building can be purchased for about $300,000 in an urban area and generate rents that average $2,700. That's an 11% annual return and doesn't even include the increase in the property value.

Commodities. The prices of commodities and raw materials – gold, oil, agricultural products – have been rising, but businesses have largely been unable to pass those higher costs along to consumers. That may change. While few experts believe inflation is likely to be a major problem, it can't be ignored. Inflation would be bad for stocks and bonds, so having protection against inflation is smart and investing in commodities hedges your bets. Invest in a broad range of commodities through a mutual fund.

Investing and building wealth can't be rushed and you don't have to be an investment expert to build wealth. You just have to do your homework and stick to a consistent investment schedule. ❑

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