FINANCIAL FOUNDATIONS

Investing to Protect and Increase Your Wealth

Are you concerned about your investment portfolio relying too much on a single stock, bond or other security? Is there a "happy medium," an investment strategy that could provide both security and return?

Asset allocation can help you achieve your goals

Studies have shown that asset allocation is the single most important factor in determining returns from investing.[1]

Asset allocation is generally defined as the allocation of an investor's portfolio among a number of "major" asset classes.[2] Diversification spreads risk and helps avoid poor returns from a single type of investment.

This "all-in-one" investment offers varying mixes of stocks, bonds and money market securities. These funds can be less risky than investing in a fund that chooses only stocks or bonds, since different asset classes often experience highs and lows at different times.

A few things to keep in mind:

Timing is everything

Those with more years until retirement can afford to put a greater percentage of their assets in the stock market.

Stocks mean risk and return

Those with a higher tolerance for volatility should consider putting more money in the stock market than those in the same age group who have a lower tolerance.

Stocks can help college savings funds

As long as college costs continue to rise faster than inflation, no other investment will keep pace as well as stocks. Consider investing more in stocks when your kids are young, and as they get older move more money into bonds.

Determine your long-term goals

Do you want to buy a beach house after you retire? Or pay off your mortgage so you can write a novel? Think about your long-term goals and how much money you will need.

Get started

It's never too late to get started, and it's never too late to revise an asset-allocation plan.

Get professional advice

One of the best ways to develop an effective asset allocation plan is to consult a qualified financial planner. Please call so we can discuss your financial future.

[1] CNNMoney.com

[2] Stanford.edu

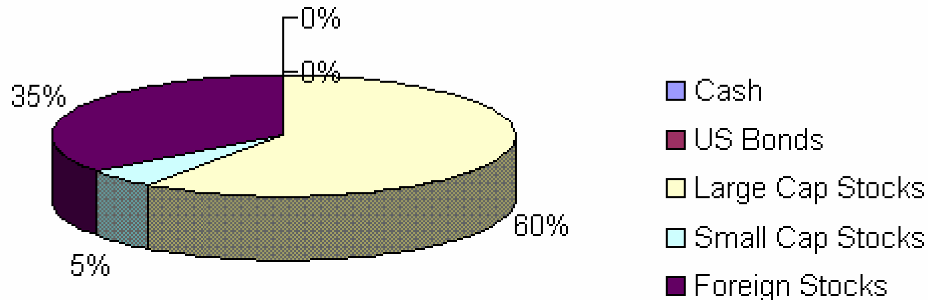
Visual element: pie graph and brief explanation

Efficient Portfolios

One example of asset allocation:

Efficient portfolios optimize -- their **Asset Allocation** achieves an Expected Return with the lowest possible risk. Given historic returns and risks, we start with the portfolio that has the highest minimum return over 30 years with a 5% comfort level (95% of the time its average returns will be higher).[3]

Efficient Portfolios	Over any **One Year**	Annually Over **30 Years**	**Asset Allocation**	
Expected Return	11.04%	11.04%	Money Markets	-
Relative Risk	88	88	US Bonds	-
5% Chance of Returns:			Large Cap Stocks	60%
That are higher than	49.68%	11.10%	Small Cap Stocks	5%
That are lower than	-17.63%	5.15%	Foreign Stocks	35%



Source: netirement.com

[3] netirement.com

-Denny Bulcao, Jr.