Investment Management 6

1.

Don't put all your Eggs in one Basket

Managing investments is like having a sports team, all the players need to do their job. You need to pay attention to your investments. First rule is to diversify. If you have all of you money in one investment, you can be taking too much risk. Too much in risky assets, like one stock or mutual fund, can be risky. Too much in too conservative an investment, like a bank account, can lose long term spending power due to inflation.

2.

The Magic is in the Mix

If you diversify your investments, you not only need to buy different investments, but also different kinds of investments, which we call asset classes. If you buy 5 mutual funds and they're all the same kind of fund, like large US stock funds, you haven't diversified. The trick is to have investments in big stocks, small stocks, bonds, international investments, real estate and cash. That's how the pros do it: because it works. Get a good mix.

3.

Ingredients: Investigate before you Invest

Once you pick a mix that's right for you, which is usually a combination of bonds and stock type investments, you should try to get the absolute best ingredients

for the mix. Use Morningstar, use the internet. Research your investments. Look into not only return, but risk as well. Look at the management. Most people spend more time investigating TV purchases than they do investment purchases. Investigate before you invest, and check up on your investment periodically.

4.

Fees Matter

The wonder of investing is that the growth of the world, in technology and economic growth, fuels investment growth. Strangely, this investment growth seems to work itself back to a basic rate of return. For example, in the United States from 1803 to 2000, the US stock market returned about 9.25%, through all kinds of things from the development of the steam engine, to the car, to the airplane, to the internet. So given that the return is going to work it's way to some number, the less you pay to other people is more money in your pocket. Pay less, keep more.

5.

Balance

A key aspect of investment management is to monitor and balance the investments. If you've diversified your investments, you will have a variety of types of assets moving in different directions, with the general direction being up. Rebalancing, probably once or twice a year, will assure that you take profits in the higher returning investment and increase your holding in the

lower paying (and possibly lower risk investments) It's the perfect buy-low, sell high strategy.

6.

Invest Your Energy

Too many people waste their time at the wrong place in their finances. If you don't have a lot to invest, don't get carried away reading about investing and watching CNBC; spend your energy trying to save more. When your invested assets are greater than your savings, spend your time researching investments. When you are spending down your investments, like in retirement, watching your risk is the most important thing.