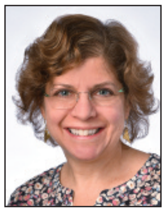
INVESTMENT MANAGEMENT: BUILDING WEALTH



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Sound investment management requires clearly defining your goals, knowing your risk tolerance and understanding various investment options. Building wealth requires patience and a strategy appropriate for your personal situation and objectives. Frequently, investors have a high-risk tolerance when the stock market is increasing and a low-risk tolerance when markets decline. Clearly, the best strategy is one that does well in good times and mitigates loss during market declines.

Defining your goals is essential and must involve more than "I want growth, or I want income." For example, many of the people I serve in my business want to know when they can retire, so we approach that goal by making it measurable. An example of a clearly defined goal is as follows: To be financially independent enough to retire at age 67 with $100,000 annual income, after-tax, in today's dollars and for the income to last for the next 30 years.

People have various short, medium and long-term goals, but clearly defining them and making them measurable is essential to the process. Time horizon is a very important factor to consider, since fluctuations in the stock and bond markets, interest rates, tax implications and a variety of other factors should be considered when developing an investment strategy. Short-term goals should be addressed using investments with less risk; whereas, long-term goals may be addressed using investments with more risk while using basic techniques to manage the various risks.

Diversification is one method for mitigating or reducing risk, since gains in certain securities compensate for losses in other securities. Asset allocation is another method that does not guarantee a profit or protect against loss, but it is simply is a means for reducing risk. The objective is to seek the highest return considering your risk tolerance.

Generally, when some people think of risk, they are referring to market risk. When the stock market falls, it brings the value of many securities down with it. Fundamentals do matter and when a company has strong earnings and a strong balance sheet you will want to hold even through the challenging times. Therefore, a long-term balanced strategy that is in alignment with your risk tolerance mitigates risk and offers the best approach to investing.

There are other risks to consider, such as, economic risk. Some companies adjust easily to economic downturns and others do better in a growing economy. Inflation is another risk for investors. Growth investments combat inflation and help people achieve their long-term goals better than holding cash or too much in fixed income investments. Interest rate risk affects bonds or fixed income investments; however, holding certain high-quality, short or intermediate-term bonds with a low duration will reduce price fluctuations of bonds. Investors should hold fixed income or bonds and stocks in a well-balanced investment strategy.

Diversification helps people to manage specific risk which is the risk associated with a certain industry or company.

Some factors that hurt investors include, chasing performance, panic selling, acting on news, ignoring inflation, and procrastination. Today's "hot" investments may become tomorrow's losers when conditions shift. Selling at the worst possible time means you did not have a strategy that matched your risk tolerance.

It may be worthwhile to seek professional guidance from someone who is focused on you, your goals and overall objectives and has the experience and expertise to do what is in your best interest. For more information on investment management, check the articles, videos and flipbooks at www.christinemessmer.com.

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