

Your Investment Portfolio .. with the right advice, you can expand your horizons

A traditional investment portfolio contains a combination of stocks, bonds, cash or cash equivalents, and the mutual funds or exchange traded funds (ETFs) that invest in those asset classes. But if you want your portfolio to help you meet your financial goals, it isn't just any combination of assets; you need an investment strategy. When you collaborate with a financial advisor, the first task of the advisor is to assess your needs based on a thorough review of your objectives, attitudes toward risk and the amount you have available to invest.

Your advisor can then help you determine an appropriate investment mix or asset allocation for your portfolio. Part of this process should include a regular review and periodic reevaluation of your portfolio to see that it continues to suit your objectives and risk tolerance.

Investment Strategies

Creating an investment strategy means developing a plan that maps out your choice of investments, how they fit into your portfolio and the reasons you might sell. Putting a strategy in place isn't as simple as it may sound. You will probably have a combination of short-term, mid-term and long-term objectives, which could range from an immediate need to buy a house or send a child to college to a long-term need to plan for retirement. You will actually need a strategy that suits each of those different time horizons.

Your time frame and even your investment objectives are likely to change as you meet some goals and revise others. In allocating your money to various asset classes, you and your advisor must determine the optimal mix of liquidity, capital preservation, growth, income and future security.

Traditional to Alternative

In addition to traditional asset classes, you might want to consider non-traditional opportunities such as futures, options and direct investments. Of course, before adding new asset classes to the mix, you want to be sure you understand their risks as well as their strong points. With your financial advisor you can investigate the ways in which different types of investments put your money to work and identify the ones that interest you the most.

Various Asset Classes:

Stocks - an equity investment in a corporation which gives an investor ownership of a small part of the company.

Bonds – a loan, also known as a fixed-income security, that pays interest over a fixed term or period of time. Bonds may be issued by corporation, the US Treasury, by states, cities, federal government and local government agencies. Overseas companies and governments may also offer bonds to US investors.

Mutual Funds – An investment made with assets from a large pool of investors in a collection of stocks, bonds or other securities. In portfolio allocation, stock mutual funds generally invest in stocks and bond mutual funds generally invest in bonds.

Futures & Options – Members of a group of financial products known as derivatives because their prices reflect or are derived from the value of the financial product or instrument underlying the futures or options contract. There is no transfer of ownership. Instead a contract spells out the terms which the underlying product or instrument is to be purchased or sold at some date in the future.

Direct Investments - Long-term investments in limited partnerships or corporations investing in businesses such as real estate, equipment leasing and energy exploration and development. By making a direct investment in one of these programs, an investor becomes part owner of the hard assets of the enterprise.

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