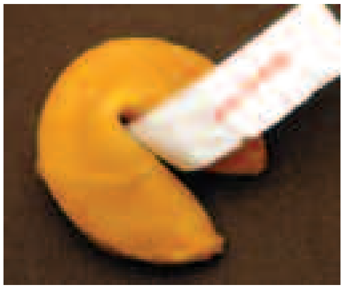


Finding Your Fortune

"Half of being so smart is knowing what you don't know." — From the inside of a fortune cookie.

Written by Patricia Lampert CFP®

WE WERE EATING CHINESE FOOD WITH MY IN-LAWS recently when one of our kids read this Chinese proverb out loud. There's my next column, I thought – the knowledge column.

The typical individual investor can befuddled by the endless amount of information out there to help you manage your portfolio. It can be overwhelming, but it doesn't have to be. With some planning and foresight, piecing together a successful portfolio and a successful retirement is possible. Here are some basics to start you out:

Define Your Goal

Before you start to develop your portfolio, figure out how much time you have, what your risk tolerance seems to be and how much you will need for your retirement goals, or any other financial goals such as education or a second home. Now, it's your job to make sure that you achieve the rate of return to reach your goal.

Really Know Your Risk Tolerance

Constructing the right portfolio starts with identifying a risk tolerance level that you're comfortable with for the long term and the short term. Next, determine what the appropriate asset allocation is for your respective accounts including taxable and retirement. If you are conservative, aim for something around 50 percent each in bonds and equities. If you can handle the volatility of the markets to earn a greater return, set your allocation somewhere between a 30/70 bond-to-equity ratio to 10/90 bond-to-equity ratio. Also remember to aim for diversity. Don't put all your equity money into domestic large cap growth funds, for example, or dump all your bond money into just munis. Today, many mutual fund companies offer one fund that can diversify based on your risk tolerance and your time frame. Learn how to invest with the appropriate amount of risk relative to your return and you will experience a few less bad days in the market. Remember that inflation and taxes take a nice bite out of any investor, so figure out what type of return you need, and then try to save the maximum allowed.

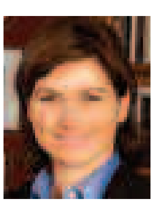
Know What You're Getting When You Invest in Mutual Funds

Many investors have no idea if their mutual funds are doing well or not. They don't know what the performance is for a particular period, and if they did know, they wouldn't be able to tell you if that was a good return or not. Monitor the appropriate market indices to evaluate your mutual fund returns accordingly. For instance, for a large cap growth fund, you want to watch the S&P 500 Index. If the 2005 S & P Index's return was 5 percent, and your large cap growth fund did 2.5 percent, then it did not match the index's standard and presents a red flag. If you have international mutual funds, you would most likely keep tabs on the Europe Australian Foreign Exchange (EAFE) for comparisons.

Don't Make Decisions Hastily to Sell or Buy

The average individual investor sells when the market is low and gets back in when the market is high, which is a strategy for financial failure. When the market goes south, don't panic. Instead, evaluate the market's overall, year-to-date returns, its returns during longer holding periods, and stay the course.

If you need help, call a professional to assist you in setting up the right asset allocation for you and your family. Don't deny yourself the chance to climb the financial success ladder. •



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