

If you really want to grow a money tree you'd better plant a lot of seeds.

What's one of the best ways to reduce volatility and risk and potentially optimize returns on your investments? It has little to do with your choice of stocks, bonds or funds. Or your timing. Or even what the Federal Reserve Board will do next.

According to the objective wisdom of leading investment analysts, the best way to reduce volatility is through asset allocation. In fact, a definitive study by Brinson, Hood and Beebower¹ concluded that over 90% of long-term investment returns are the result of the asset allocation decision. Over 90%. Regardless of which investments were selected. Or when they were purchased. In a way, that's frightening. But in another way, it's a big relief.

It means you really do have some control over the ultimate outcome of your long-term savings. It's a matter of diversifying your portfolio among the various asset classes (like stocks and bonds). And determining the mix that will work best for you based on your personal needs and goals, as well as your risk tolerance. Of course, diversification will not eliminate the risk of investment loss.

Weeds. Droughts. Overgrowth. And other pesky problems.

To sow the seeds for future financial security, ask yourself these questions:

- Does my portfolio contain the best mix of asset classes for me or mostly my favorites from one class?

- What economic benefit is my portfolio designed to achieve?
- In an extremely volatile market, is my portfolio in good hands?

If your answers simply raise more questions, you need to rethink your approach to investing.

Asset allocation, you see, is not simply a matter of choosing products based on past performance. The best investment strategy considers all the facts, all your needs and all the financial implications. These include your objectives, your age, risk tolerance, time horizon and some reasonable assumptions about the future

impact taxes and inflation will have on your savings.

Security and risk. To succeed, you'll need some of each.

Once we understand your personal needs and goals, we can suggest prudent ways to allocate your assets. Our suggestions will balance your goals against the realities of your current situation.

Find out more. Contact your local Sagemark Consulting representative today. And start raising a money tree. Instead of just scattering seeds.



¹ Determinants of Portfolio Performance, cited in On Wall Street, June 1, 2006.

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