



To Your Wealth: The Answer to Investing?

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Is now a good time to buy stocks? What about bonds? Every day we're bombarded with suggestions for where to put our hard-earned money. There are literally endless print and online resources about investing. However, I finally found one that states a cohesive theory of investing and can be read in just a couple of hours.

Daniel Goldie and Gordon Murray's "The Investment Answer," is a bold title for a book that's only 90 pages in length. Goldie and Murray define investing primarily as the relationship between risk and return with the amount of risk determining the future returns of an investment. They further outlined their approach through five decisions all investors need to consider.

First, the decision between managing your investments solo versus working with a financial advisor. As a financial advisor himself, Goldie not surprisingly recommended collaborating with a trusted advisor. One of the benefits from working with an advisor is the recognition that human beings are often our own worst enemy because emotions and the tendency to second guess can easily prevent us from taking appropriate and goal-aligned risks when investing.

The second decision was deciding how much to invest in different asset classes based on an individual's risk and return profile. This is often the most important decision which was succinctly described by the trade-off between eating and sleeping well. Taking on more risk should lead to higher returns and the ability to earn more money, metaphorically allowing the investor to "eat well." At the same time, the increased volatility could lead to more restless nights.

The next decision took the asset allocation decision one step further by adding additional diversification through other types of assets such as international stocks and smaller companies. The goal here is to add assets that "zig" when other assets "zag" so the fluctuations will offset each other without necessarily reducing the overall returns of the portfolio.

Fourth, the investor needs to decide whether to outsource the selection of specific investments to mutual fund managers who actively pick stocks or to select investments that invest much more broadly in specific asset classes or indices that track different benchmarks such as the S&P 500.



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The final decision to be made by the investor is when to buy and sell, which Goldie outlines in the chapter on rebalancing. The primary purpose for rebalancing is to keep the portfolio in line with the original risk and return relationship defined by the amount in stocks, bonds and cash.

While the book itself is brief, it was well referenced for anyone who wanted to learn more about the source of each decision outlined in the book. Overall, "The Investment Answer" sets the foundation for an approach to investing that could well suit the majority of investors.

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