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Investing 101: Anything Worth Doing is Worth Doing Right

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Traverse City, MI --- I have a routine that I have mastered called: "Investing 101." It's my cup-of-coffee, 10 minute spiel that explains the market in "kindergarten terms." I say my spiel almost every day of my life; sharing with people that there are many areas of the market to invest money. Areas that have nothing to do with the three we see daily - the NASDAQ, Dow Jones and S&P 500.

Those three are indices that are used as benchmarks which means, they are a standard by which we can compare our investment accounts. They just happen to also be what the talking heads on our nightly news programs report. Don't get me wrong; I benchmark myself and my client assets to those indices but, they are not the end-all, be-all of investment options. We have many more choices than that.

Asset allocation, an investment term that defines one of the oldest and most time-tested methods for long-term investing, is the bible for my cup-of-coffee spiel. It is a method that allows investors to spread their bets. I hate to use the words "bets" in investing, but the analogy is appropriate. The Dow Jones, NASDAQ and S&P 500 are all Large Cap, domestic stock indices. The companies included in those "benchmarks" are BIG companies. Ginormous companies with lots of capital (money) that are owned in the United States. The Dow Jones that we all cling to consists of only 30 - yes - 30 Stocks! There are more choices than that in this great country. Look around. There are micro companies, small companies, mid-sized companies, international companies, etc.

There is an old saying in my field: It's not about timing the market, it's about time in the market. "Spreading bets" allows investors to relax a bit and let the natural course of investing unfold. People ask me all the time, "where can I go during these times, what should I buy?" I don't have all those answers any more than I have the winning Lotto numbers. I do have more data and research available to me than the average person. And, an odd love of the markets. So I say to those people, "If you are invested correctly, you shouldn't go anywhere." You should adjust and tweak for the times but, stay put. The definition of long-term investing doesn't change during a market downturn.

These are the times where investors want "flight to quality." I say, "always be in quality." Don't flee there in times of panic. In the stock market, including mutual funds, own quality from day one. There are criteria that help define good investments. For stocks, look for high return-on-equity, good earnings-per-share, strong financials. Seek companies whose management is invested in the company. Why? So they have a vested interest in doing their job well. Look at Morningstar ratings in mutual funds. Identify mutual funds that outperform their benchmarks AND their competitors. Those things matter. These are all things that are relatively easy to understand and are searchable on the internet.

When you buy a car, a plasma television, or any consumer product for that matter, you do research to make sure it's a good, quality product at the right price. You can do that for investments as well. You can make sure you are buying strong, long term producers at the right price. If you do that AND you are allocated correctly you will have, what I like to call, the "bullet-proof portfolio." It doesn't mean you will never have fluctuation. If the market is down 50 percent year-to-date, even the good stuff loses value for a period of time. But, over the 10-year cycles long term investors need, you will be fine. It seems complicated, but it is actually simple in concept: invest in the right areas of the market with high-quality product, tweak and reassess along the way and, reap the benefits of being a smart, long-term investor.

***About the author:** Kelly is an investment manager with fee-only Registered Investment Advisor, Legacy Financial Services Group, LLC. Alongside Legacy's founder and CEO, Derek E. Weeks, Kelly specializes in bringing long term success and peace of mind to business owners and retirees. Legacy manages money for individuals and couples through their unique process, "Portfolio by Design™" and for small businesses through their independent 401K platform. When Kelly isn't busy building the business she stays busy raising three heirs to her eventual self-built empire and enjoying a stolen moment with her husband.*