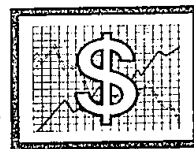


Business

Barry Jensen editor/591-2300



O&E Thursday, July 10, 1984

'Diversify' means type, number of investments

By Sid Mittra
with Dean Calvert
special writer

- Other limited partnerships
- Private placements
- Hard assets (gold, silver, etc.)

Part II

The Diversification Issue

If someone could guarantee that ABC stock will double in two years, you would want to put all your money in that stock. After all, anything that doubles in two years offers you a return of almost 40 percent, and it is hard to beat that record.

Unfortunately, there are no guarantees — we repeat, no guarantees — in the investment world. Consequently, it is important to construct and maintain a well-diversified portfolio.

There is more to the diversification issue than meets the eye. Buying "more of the same" does not constitute diversification.

Generally, depending upon your objectives, a typical portfolio may consist of the following segments:

- Liquid funds
- Treasury bills and bonds
- Corporate bonds
- Stocks
- Mutual funds
- Real estate limited partnerships
- Oil and gas limited partnerships

Identification of the various segments is only the first step toward the construction of a diversified portfolio. The next step is to select the right investments (known as products) in each category.

Assume, for instance, that you have decided to invest 25 percent of your \$100,000 investible money in stocks. The next step is to select the right investments (known as products) in each category.

There are 3,000 stocks traded on the New York Stock Exchange alone, not to mention the American Stock Exchange, the Over-the-Counter market and several other stock exchanges.

If your main objective is to reduce taxes through proper investments, you are probably looking into oil and gas limited partnerships.

Dozens of these partnerships are available, and there is no single dependable guide that would help you select the right product.

To complicate the matter further, the oil and gas partnership that is perfect for another investor may be useless for you.

We hope that we have made an important point: Construction of a diversified investment portfolio and the selection of the right products are not for



finances and you

Sid
Mittra

the lighthearted.
If you wish to do it, be serious about it. If not, let the "pros" do it.

Change is Everywhere

It is no illusion that important events are happening more quickly around us today than ever before. Everywhere one turns, there is change. Change in clothes. Change in entertainment. Change in social attitudes.

The same thing is happening in the business world. And as companies seek new ways to do business, change is effected in the securities marketplace. The market today is probably more

sensitive to the shifting winds of change than at any other time in its history.

While there may be great promise in a market so responsive to change, there also are dangers.

It is important to recognize those aspects of external change over which we have no control but which could significantly alter an investment situation,

such as a change in bank interest rates or new margin requirements or a scientific breakthrough.

Other external changes may include substantial advance or decline in stock market, change in tax laws, international monetary upheaval, change in business regulatory laws, government spending increase or decrease, and war — beginning or cessation.

Your Life Can Change, Too

Changes demanding a reappraisal of your financial affairs can also occur in your personal life — such things as buying a home, having children or planning for retirement.

Other changes in personal circumstances could include the following: Getting married, receiving an inheritance,

making a substantial business investment, changing of the insurance program, becoming widowed or divorced, and moving into a higher tax bracket.

The importance of continuous supervision of your investment portfolio cannot be over-emphasized. After all, you wouldn't plant seed in a garden and then not bother to weed, tend and care for it — that is, not if you expected to grow healthy plants.

Next week: Finding an investment adviser.

Sid Mittra is a professor of economics and management at Oakland University and president of Coordinated Financial Planning Inc.

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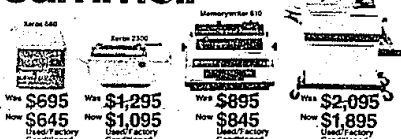
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