

Nuts and Bolts from page A3

buying high and selling low (Figure 3), with predictably disappointing results. Put differently, most long-term investors do not stay the course, thereby failing to reap the long-term benefits of investing in stocks.

Asset Allocation Is the Answer

Clearly, it is the short-term volatility, or risk, present in the market that prevents most investors from staying the course. Therefore, the solution appears to lie in developing a strategy that would help reduce the portfolio risk to the level with which the investor is comfortable. Put differently, for millions of investors who prefer to preserve their capital during market declines, reduce the volatility of their portfolio and actively participate in both the stock and bond markets, the use of asset allocation might well constitute the best strategy.

Almost unheard of several years ago,

for investors, asset allocation services are rapidly becoming a standard feature, like dual air bags in new cars. This strategy provides the foundation for constructing a diversified portfolio of stocks, bonds, and money market instruments that optimizes the returns for the level of risk desired by the investor. And since the portfolio's risk is placed into the comfort zone, the investor can be expected to stay the course and participate in the benefits enjoyed by long-term investors.

Who Offers Asset Allocation?

Typically, an advisor measures your comfort level with risk and your investment time horizon, then creates a recipe for how much money should be invested in stocks, bonds, and money market.

Additionally, there are programs you can sign up for when you buy mutual funds and variable annuities. Samples include: Dreyfus Investment Allocation, Fidelity Portfolio Advisory Services, Pershing Peak II, Prudential Investment Allocation Strategy, American Skandia Asset Mix, and VALIC Portfolio Optimizer.

In addition, many computer programs are now available that can explore the efficient frontier, maximize returns per unit of volatility, and allow you to deal with correlation between asset classes.

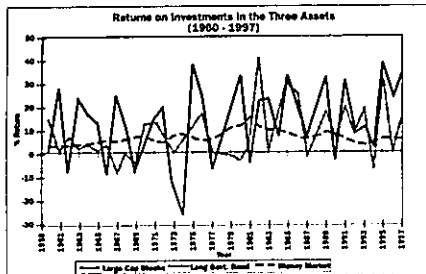


Fig. 2

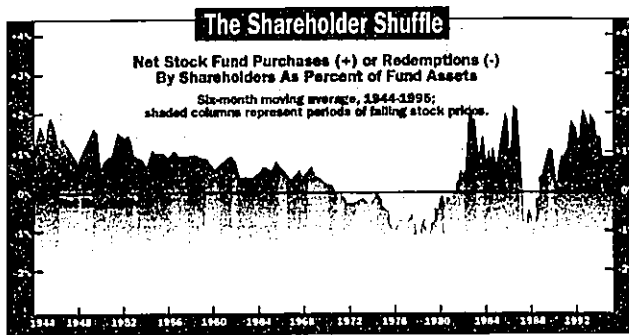


Fig. 3

Samples include: Allocation Master, Cadence Asset Mix Optimizer, Power Analyzer, The Power Center, and RAMCAP.

Are They A Good Deal?

It all depends. While most programs boast that the asset allocation strategies are based on the work of Nobel prize-winning economists like Harry Markowitz and William Sharpe, for the most part you're simply plugged into one of the plethora of cookie-cutter formulas.

In addition, almost all of the software programs are used to develop a static, or at best, a modified static allocation which refers to a fixed percentage of funds allocated to the three asset classes.

For most investors, that's sufficient. It keeps them focused on risk, long-term

goals, and the yin-and-yang of stocks and bonds, even if they don't understand any of that. These services can be especially valuable if they keep investors from having no strategy at all, or when they become excited about making market decisions based on something they heard at the watercooler, on the Internet or under the influence.

The Dynamic One model was designed to represent a bona-fide dynamic asset allocation strategy. Even more important, when used in conjunction with ancillary strategies, it can provide investors with an opportunity to uniquely combine their seemingly contradictory targets: Reduction of investment risk; optimization of investment return and conversion of market volatility as their friend.

Professional Advice You Can Build On

Financial Success Starts With A Sound Financial Plan

"Let's Get Your Planning Started Today."



Lawrence J. Stack, CLU, ChFC
Preferred Advisor
28411 Northwestern Hwy., Ste. 700
Southfield, MI 48034
248-948-8844

A Plan To Get You Where You Want To Go



Your comprehensive financial plan covers with a complete analysis of your situation, together to improve progress toward your financial goals and recommended steps to guide you toward those goals.

We'll zero in on your goals.

With rigorous financial analysis, we'll get a clear picture of your situation and make an accurate assessment of your needs.

We'll craft a sound strategy focused on clear financial goals.

After our consultations, you'll have a thoughtful, thorough financial plan for a reasonable fee which outlines steps to help you:

- Improve your cash flow
- Finance your children's education
- Fund your retirement
- Minimize your taxes
- Determine your life insurance needs
- Analyze the distribution of your estate

We'll work together to make adjustments along the way.

My job isn't done until you reach your goals. So whenever your needs change, I'll be ready to help you make the right adjustments. Call me today for an initial planning consultation.



Prudential

Prudential Securities Corporation, 213 Washington St., Newark, NJ 07102-2992, 800-382-7121, a subsidiary of The Prudential Insurance Company of America, 751 Broad St., Newark, NJ 07102-3777, is duly registered as a broker-dealer and investment advisor and offers financial planning and investment advisory services under the Prudential Preferred Advisors name.

In Matters of the Heart, Beaumont is the Place to Turn!



As Beaumont builds a state-of-the-art HEART CENTER to better serve the growing demands of the community, it will take advanced technology, compassion, dedication, and generous support. You can help.

Mail the coupon below or call (248) 433-3792 for more information.

Return this coupon and we will send you a FREE complete illustration of the benefits of a gift annuity, along with our brochure. All responses are completely confidential. No obligation is incurred in this request.

YOUR NAME AND BIRTH DATE	DAYTIME TELEPHONE
SECOND NAME AND BIRTH DATE (IF APPLICABLE)	CIRCLE GIFT AMOUNT TO BE SHOWN:
ADDRESS	\$10,000 \$15,000 \$20,000 \$30,000 \$100,000
CITY, STATE, ZIP CODE	OTHER AMOUNT
	IF APPROPRIATE, PLEASE LIST: PLEASE NOTE COST BASIS MUST

The Beaumont Foundation

William Beaumont Hospital

180 North Old Woodward Avenue, Suite 100
Birmingham, Michigan 48209



The Beaumont Foundation's Charitable Gift Annuity Program offers you the chance to be a Beaumont partner in caring for cardiac patients -- and you gain by giving.

A Charitable Gift Annuity Offers:

- A guaranteed income for life.
- Attractive annuity rates (up to 12%).
- A significant income tax deduction.
- Best of all, you'll be helping cardiac patients who come to us in hope.