

6 Steps to Investing Effectively

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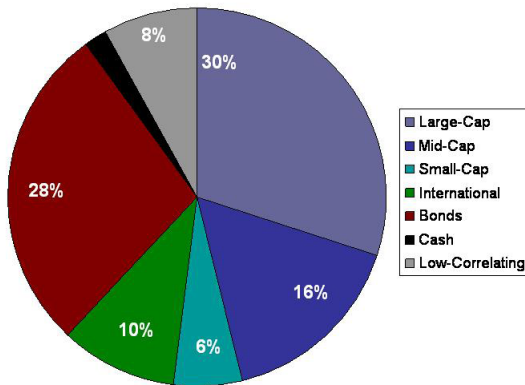
Whether saving for your own retirement years or for your children's college expenses, you can employ six key steps to help put your money to work and invest effectively.

- 1. Secure Your Foundation.** Before you look too far into the future, make sure your financial foundation is solid. Build up your cash savings equaling 3 to 6 months living expenses to cover any short term emergencies that may occur. Next, make sure your debts are under control and pay off your credit cards in full every month. Lastly, review your insurance policies to make sure you have proper coverage. Many investments intended for the long-term are quickly liquidated by survivors if the amount of life insurance was not adequate. Start with a strong insurance defense before you move on to your investment offense.
- 2. Determine Your Goals and Timeframe.** The specific goals you want to accomplish and the amount of time you have until the funds are needed is important. These will influence both the amount you should invest and how it is invested. You must have a clear understanding of your current financial situation and know where you want to go before you can invest effectively.
- 3. Know Your Risk Tolerance.** Risk tolerance is the level of investment fluctuation you can tolerate comfortably. The levels range from conservative to moderately conservative to moderately aggressive to aggressive. While your portfolio may be moderately conservative overall, there may be times when you have specific investments that are more aggressive. It is important to consider your entire financial picture to maintain the general risk level with which you are comfortable.
- 4. Understand the Major Asset Classes.** There are essentially four major asset classes: Equities (stocks), fixed income (bonds), cash (savings, CDs, money markets), and low-correlating alternative investments (real estate, private equity). These classes are often divided even further when determining your target asset allocation. For example, the equity class may be separated into international, small-cap, mid-cap, and large-cap stocks. Small-cap stocks are public companies with capitalization of \$250 million to \$1 billion, mid-cap with \$1 to \$5 billion, and large-cap with over \$5 billion. Low-correlating investments are alternative assets that may help reduce volatility and enhance returns regardless of conditions in the bond and stock markets.
- 5. Develop an Allocation Plan.** Because everyone's current situations, goals, and risk tolerances are different, there is not a 'silver bullet' that works for everyone. It is important to work with an independent investment advisor to develop a personalized plan that is appropriately diversified. A diversified portfolio avoids putting all of your eggs in one basket, as they say, and helps spread out your risk across multiple asset classes. For example, if you are saving for retirement which is 30 years away, your portfolio would likely have a higher percentage of stocks than bonds. If your retirement is just 10 years away, you now have a shorter time-frame to bounce back from large fluctuations in the stock market. Therefore, your asset allocation may become more conservative with a lower percentage of stocks and higher amount of bonds. [See Illustrations]

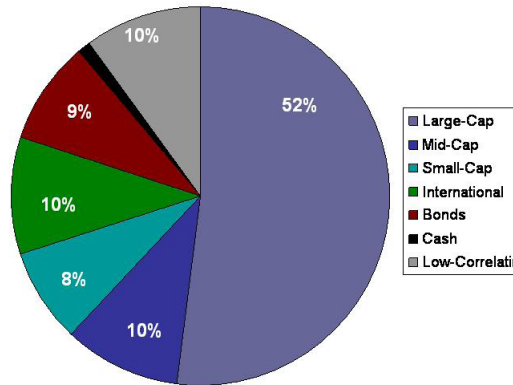
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6. Be Patient. Monitoring a portfolio over time requires patience as market fluctuations are normal. Your investment advisor should evaluate your investment managers periodically to be sure they stay focused and maintain reasonable expenses. With a solid foundation, independent investment advisor, and an allocation plan that is tailored to your specific needs, you can relax and let your money work hard over time to help you achieve your goals.

Sample asset allocation: 10 years to retirement



Sample asset allocation: 30 years to retirement



About the Author: Steve Hooyman is a partner with Baker Tilly Investment Advisors, LLC. He has been providing asset management and financial services in Northeast Wisconsin since 1986. Steve earned his Masters degree in business administration and Bachelors degree in finance from the University of Wisconsin - Eau Claire.

We welcome the opportunity to meet with you to discuss how we can help you meet your business goals. For more information or any questions you might have on this topic, please contact Steve Hooyman by e-mail at steve.hooyman@bakertilly.com or phone at 920 426 7214.

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