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Make Sure Your Portfolio is a Mixed Bag of Treats for Maximum Performance

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By Kevin Peters

As a kid, my favorite holiday was Halloween, and my favorite part of Halloween was its aftermath. Deciding on a costume (usually some animal, athlete or television character), gathering materials for it, arguing with my mom about wearing a jacket underneath and dutifully marching around the neighborhood ringing doorbells and yelling “trick or treat,” all of that was just the necessary prerequisite to the really fun part: sorting through my treasures.

Nothing was better than racing inside at the end of the evening, spilling the contents of my bulging pillow case onto the kitchen table and eyeing my array of goodies with great anticipation. I sorted and counted and arranged the candy corn, chocolate cigarettes, lollipops and apples into piles with deep absorption before being shooed into bed.

Now, as a financial adviser, I often approach my clients’ portfolios with that image in mind. How disappointed I would have been had my plunder turned out to be all licorice or all bubble gum. I know that the best portfolio will be a real mixed bag…one that is well diversified.

A recent poll commissioned by Morgan Stanley disclosed that 77 percent of New Yorkers feel the national economy will improve or be the same in the next 12 months. In New York, 78 percent expect their local economy to improve or hold steady. In the tri-state area, those living in New York are more likely to expect improvement in their state economy (33 percent better) than those in Connecticut (18 percent better), with New Jersey residents between the two (21 percent better).

Despite increases in the stock market in 2014, I believe this remains a good time to jump into equities…keeping in mind that diversification is key.

Yes, the stock market has declined sharply this month but declines could be viewed as buying opportunities. Don't get spooked! If you liked a particular stock when it was, say, $50, and there have been no fundamental changes in the company, wouldn't you be more interested in buying it at $45?

There are a number of opportunities like that in a range of industries that would allow an investor to take advantage of what I believe are temporary market declines. At the same time, by selecting opportunities in varying industries, you will maintain a diversified investment portfolio. A diversified portfolio will likely be different depending upon the different needs and objectives of a given individual. Nevertheless, worth consideration are:

Growth stocks, if retirement is a ways off; solid dividend stocks if income will be needed sooner.

Real estate investment trusts (REITS) in market sectors with solid prospects.

International investments in strong companies poised for growth, particularly in countries with vibrant economies.

Assets easily and quickly converted to cash to take advantage of new investment opportunities that may arise in the short term.

Whatever your individual portfolio looks like in the end, keep in mind that the goal of diversification is long-term balance–investments that move in different directions at different times. One zigs while the other zags.

A portfolio that lacks variation can be as disappointing as a box of Crackerjacks missing the prize. Instead, avoid tricky situations and treat yourself to some savvy financial advice and a well-diversified plan, and the prize just might be better than what you were expecting.

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