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BUSINESS VIEW: Lighthouses: Beautiful, functional, but not for everyone



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By Pamela Snetro

There are few man-made edifices more iconic than a lighthouse. They stand strong and high over the shore, providing a navigational aid as well as leading the way to a secure port in a storm.

Lighthouses are not only a unique feature on the landscape; in Connecticut, the federal government currently is involved in the sale of several of the structures, including the one that graces some of the state's license plates. A recent open house at a lighthouse off the coast of Stratford attracted a crowd who stood in line for hours to take a tour.

Despite their popularity, however, lighthouses are unique and, after a government-sponsored bidding process, sale prices often are low. Many lighthouses, for instance, need significant repairs to be habitable, and many are difficult to access, typically only by boat and then by a steep ladder.

Lighthouses can be a suitable metaphor for financial investments — often what is attractive to one investor may initially look good to others, but upon close inspection there are flaws that, at the least, require a second look and second opinion.

While people have many reasons for purchasing a lighthouse, from nostalgia to the desire for a different type of abode, the true purpose of a lighthouse was to provide a beacon for seafarers.

A well thought out financial plan can be a similar guide for the investor. But, like a lighthouse, the plan should be monitored regularly so your financial “ship” can change course when necessary. Nostalgia — and emotion — should be kept out of your financial plan.

As there is no abode that is right for everyone, there is no one-size-fits-all portfolio. There are many variables to consider when constructing a portfolio. If you are young and just entering the workforce, you may be more likely to seek investments that hint at potentially fast growth and a quick turnaround.

Should early investments not respond as hoped, an investor far from retirement will have time to restructure their portfolio, with hard-earned experience and subsequent reconsideration, perhaps, of a more balanced and diverse portfolio.

On the other hand, if you have reached retirement age, you likely have different financial priorities to consider. What is the mix of investment instruments likely to provide your desired level of returns and growth for the future? How much risk can you comfortably accept? Are higher-yielding dividend stocks for you? Fixed income securities? Municipal bonds?

Clearly, the investments for an individual nearing retirement will look different from the portfolios of young or even middle-aged investors, but that is exactly the point; they should — just as different size ships will have different requirements as they near a lighthouse beacon.

Meanwhile, the next time you take a trip to the shore, take a little time to view a lighthouse, even if from a distance. You will see that as attractive as it may be, it has limitations.

Perhaps for you, a lighthouse, like someone else's financial portfolio, looks good from a distance, but falls short when closely examined for viability in terms of your present and future needs.

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