https://www.theexaminernews.com/archives/westchester/West.Examiner3-6-18.pdf PAGE 23

The Examiner

Appears also in the *Westchester Examiner*, *Putnam Examiner* and *White Plains Examiner.*

Always Make Sure Your Investments Are 'Best in Show'

By Peter Chieco

The Prudent Portfolio

Last month, Madison Square Garden hosted the 142nd annual Westminster Kennel Club Dog Show, a menagerie of some 200 varieties of four-legged fun. From the coifed black poodles to the fluffy sheepdogs to the Siberian huskies with their striking blue eyes, the breeds represented every size, shape, color and temperament of man's best friend. It's fascinating to see the extraordinary variety presented in the show.

Lack of variation in a species can lead to extinction, as it limits the ability to adapt to changing conditions, whereas a healthy population is one with variability. In other words, diversity can breed hardiness and durability.

Financial advisers might say that the same is true of a portfolio: uniformity may lead to underperformance, whereas diversity can be key to durability. So how to go about creating a portfolio that wins "best in show?"

Start by laying a solid foundation. Over the long run, it's just as important not to lose money as it is to make money, so build a foundation with an asset class that is stable – perhaps a class that can grow with minimal tax impact.

A combination of domestic and emerging market securities may be called for. Investigate companies that have a strong history of paying dividends. Research their potential for long-term growth.

When deciding how to build your portfolio, consider your tolerance for risk. How far in the future are your financial milestones? What are your liquidity needs? There is a huge difference between purchasing an engagement ring in the next few months and funding a retirement that is decades away.

While investing in emerging markets may be a great way to diversify a portfolio, be aware that the risk varies widely from country to country. Consider using an active manager to help navigate this investment category.

Just as one of the categories at Westminster is the working group, investors should make their portfolios work for them. By now, many investors have learned the importance of maxing out their employer's matching 401(k) plan, which dollar for dollar may be one of the best investments available to an investor.

There are benefits to consider when it comes to the Roth IRA, too. Its funds can be used for college tuition, medical expenses, medical insurance premiums or even to fund other investments such as stocks and bonds. And, after age 59½, withdrawals typically are tax free.

What about making your emergency reserve work for you? Your emergency fund may cover unforeseen events such as unexpected home repairs or health crises that prevent you from working. Instead of leaving your emergency cash in the proverbial cookie jar, why not invest it? Assuming, of course, that it remains liquid: easily and quickly accessible.

Finally – assuming you can tolerate the risk – your portfolio might benefit from the equivalent of the toy group: a small, fun, added investment in a "pet" industry that doesn't necessarily do the hard work over the long haul, but may potentially result in unexpected rewards nonetheless.

Whichever way in which you decide to construct or add to a portfolio, be prepared for a bumpy ride in the markets, as plunges such as the ones seen recently may trigger increased volatility in the aftermath. The good news, though, is that some analysts predict a possibility of better-than-average 12-month returns.

Just as there is a breed of dog that fits any individual family, your portfolio should be equally tailored to satisfy your short and long-term objectives, a hardworking portfolio that just may be an overall winner.

Peter Chieco is a managing director and financial adviser with the Global Wealth White Plains Management Division of Morgan Stanley in Greenwich, Conn. He can be reached at 203-625-4897.