

July '05 Newsletter – Investments with Guarantees

My continued goal is to provide you with useful information concerning topics of interest in the investment arena and other topics of personal interest.

The tragic events in London on the morning commute of 7/7/05, are a brutal reminder terrorism is a part of our current world. It is difficult to reconcile the indiscriminate killing of innocent people by mass murderers. These random acts of violence can have an impact on our investments. It is easy to get caught-up watching the stock markets and our portfolios in times of crises. We live in a free economy with a free-market system. In this system, prices (stocks, bonds, oil, etc...) can and do continuously change. Getting too wrapped-up in short-term market values can create stress and anxiety. Like everyone, I tend to feel a little better on up days in the market than down.

In a perfect world, all investments would make consistent and predictable returns and not be affected by world events. Since there is no perfect world, we must deal with the system we are given. A long-term investment strategy that balances your goals, objectives and risk tolerance can be a great start. In the 1990's, risk was often an underappreciated aspect of financial planning, as high returns were the focus. The bear market of 2000-02 has helped us all better appreciate risk.

The financial industry reacted to our new found understanding of risk by creating new products to help balance risk and returns. This has provided some CD and money market owners the confidence to re-invest in other than fixed income securities, while providing comfort to people who plan to stay invested but would like more downside protection.

If you are interested in the possibility of higher returns than fixed income securities but want the same type of security you have with fixed income, there are investment opportunities available to you. These investments can reduce short-term anxiety but offer the possibility of greater returns.

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