

The PHYSICIAN'S *Personal* ADVISORY®

EXCLUSIVE ADVICE ON FINANCIAL, INVESTMENT AND OTHER ASPECTS OF THE SUCCESSFUL PHYSICIAN'S PERSONAL LIFE

Investing

2003: Advice from the experts

Watchwords include caution and planning

"My crystal ball has rolled off my desk and broken into a thousand pieces on the floor. I'm afraid I'll never be able to replace it— which is to say that I'm no longer in the prognostication business!"

That was the initial response from Oregon-based advisor W. Ben Utley, MS, CFP when we asked him to share his thoughts on next year's financial outlook. And who can blame him? With a year like the one just past coming to an end, anyone who thinks he or she can reliably forecast the future needs a psych referral.

Still, we were able to obtain some words of wisdom, insight and counsel from expert financial advisors. Here's what they told us to expect for the year ahead, with practical strategies for doing as well as possible in 2003.

Avoid paralysis

A bad investment experience can freeze an investor into inaction, says Pennsylvania-based advisor Charles Boinske, CFA. One instinct is to redo your portfolio, but only after it rallies to its previous level — a day that may never arrive.

Instead, Boinske recommends looking at your portfolio as if it were in cash — especially the tax-deferred portion. Ask if you'd invest the cash in the investments

you currently own. If the answer is yes, do nothing. But if no, don't wait to restructure your portfolio.

When the market rallies, if your portfolio is still concentrated in areas that do poorly, then you're "doubly in the hole," says Boinske. If you're paralyzed into inaction, "you risk repeating the mistake on the upside that you made on the downside." And those two mistakes compounded could devastate long-term investing.

"Fill 'er up"

His number one strategy for doctors, says Utley, is simply to get them to save. His motto: "Fill 'er up." Many physicians have enormous cash flow, and saving is key to financial success. So he recommends stocking up your 401(k) plans and 529 (college funding) plans, for instance.

Many physicians have enormous cash flow, and saving is key to financial success.

IN THIS ISSUE

Planning

- Explore these strategies to shield your wealth 3
- Should you craft a postnuptial agreement? 4
- Giving smart 5

Investing

- Use Morningstar's star rating system with care 6

Personal Advisory Rx

- Quick tips to save you money and time 7

Well-Being

- Doctor, exercise thyself 8

• Our Purpose

To provide doctors sound, independent, physician-specific advice to better oversee their personal finances and their lives outside of medicine.

Visit us at our website at
www.AdvisoryPublications.com

Asset allocation, Utley stresses, is the most important decision an investor can make. Research shows that a portfolio's risk and potential for reward are determined by the ratio of stocks and bonds in the portfolio, and less by the actual stocks and selected bonds or the timing of their purchase or sale.

If a military conflict occurs next year, Utley offers the reminder that the stock market has historically performed better during wartime than while we're at peace. But because inflation during war has been higher than in peacetime, your real return may be about the same. If you're expecting a protracted conflict, consider Treasury Inflation-Protected Securities or TIPS.

Word of caution

The war on terrorism and a potential conflict with Iraq are much on the mind of Hawaii-based advisor Harry Kasanow, CFP. For him, prudence prevails. "More caution than people normally take is reasonable at this time," he says. Don't expect more than a consistent 7% annual growth, he suggests.

Kasanow has an inordinately high level of short-term bonds at present and is carefully watching the Federal Reserve's movement on rates (as should all bond holders). He owns a lot of small-cap funds, both growth and value, and is buying crushed, undervalued large-cap growth companies. "Bottom-shop those great names," he says (such as Microsoft and Pfizer) "because they'll be the strong that survive."

Clean out

For Virginia-based Tom Grzymala, CFP, it's time to clean out the speculation in portfolios, particularly in telecom. Rather than continue with a lot of mental anxiety, he recommends just taking these firms off the table.

Have a well thought-out asset allocation plan that doesn't change from month to month. He'd recommend buying good-quality stocks whose prices are cheap — GE and Dell, for example.

Overall game plan

If there's one lesson from the past year, says Arkansas-based Fredrick Adkins III, CFP, ChFC, CLU, it's to do all investing from the perspective of an overall portfolio game plan. Don't just chase hot sectors or stocks.

A common mistake is for investors to jump away from short-term pain and into an investment or asset class highlighted, say, in a recent magazine article. That's a surefire strategy for poor returns, he notes.

Five equal positions

Except for the technology sector, "the bulk of the damage has been done," according to Lou Stanasolovich, CFP. But he also maintains a bleak outlook on telecom stocks, characterizing them as being in "nuclear winter."

For a diversified risk-managed portfolio, he outlines five equal positions:

1. Large cap domestic stocks, a small number of international stocks on the value side, and small-growth and small-value domestic stocks.
2. Real estate through REITs or REIT mutual funds.
3. High-quality fixed income holdings in conjunction with bank loan funds (mutual funds that buy loans from banks).
4. A hedge position in such areas as merger-and-acquisition arbitrage funds.
5. Another hedge position: long/short funds (betting some stocks will decline while some will increase).

Good for all seasons

As Utley suggests, no one has a failproof crystal ball. But a well-planned portfolio is good for all seasons and should help you stay properly invested no matter what surprises 2003 has to offer. ■

Our thanks to these fine advisors:

Fredrick Adkins III, The Arkansas Financial Group, Inc., Little Rock, AR; phone (501) 376-9051; e-mail to RickA@ARfinancial.com

Charles Boinske, Independence Advisors, Inc., Berwyn, PA; phone (610) 695-8070; e-mail to cboinske@independenceadvisors.com

Tom Grzymala, Alexandria Financial Associates, Ltd., Alexandria, VA; phone (703) 671-5959; e-mail to tom@afaWealth.com

Harry Kasanow, Kasanow & Associates: Wealth Management, Honolulu, HI; phone (800) 988-4469; e-mail to harrykhi@hawaii.rr.com

Lou Stanasolovich, Legend Financial Advisors, Inc., Pittsburgh, PA; phone (888) 236-5960; e-mail to legend@legend-financial.com

W. Ben Utley, Utley & Associates, Inc., Eugene, OR; phone (888) 465-0899; e-mail to prosper@utleyassociates.com