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Stop Losing Money from Your Investments

We're almost at the point that it's bad enough that it's good. The credit crisis seems to be approaching climax, on the other side of that comes the rebound. Now we're trying to figure out where the bottom is. Six-to-nine months from now, I think we'll be talking about an economy that has bottomed and started to improve. However, what does that mean for you now and what steps can you take to safeguard your investments and stop losing money?

Think Beyond Return of Investment. Many investors fail to look at dividends and taxes when it comes to investments, so start thinking beyond return on your investment. Don't make a move with your money unless you know the dividend schedule and tax ramifications of your moves.

Money Markets. I think money market funds are still safe. However, the current banking issues make this just as scary as other investments. Keep all of your banking accounts, CDs and money market accounts under the old \$100,000 FDIC limit. Many of my clients ask about moving their money to money markets. Depending on your risk tolerance, diversification, asset allocation and financial goals, this may or may not be what's best. Most of the time, moving your money to money markets isn't what's best, but what makes you feel the best. Research shows people who move out of the market into money markets, earn half as much as those they stay in the market. Make sure you consult Jim Roman for a complimentary and comprehensive review of your entire portfolio to ensure such a move is best for you.

Bring your expectations back to earth. Unfortunately, people got used to higher returns. First, we got used to high numbers because inflation was high. Then, we went from stocks being very cheap in the early 1980s and housing being cheap to both being more expensive, so it wasn't unusual to make 15 or 20 percent or more per year. Lost in all the shuffle is a financial truism: Over the long run, stocks return about 10-11 percent. So, if you're disappointed by 10 or 11 percent, as a prevalent view has been, well, expectations will just have to come down. Remember, history shows us the stock market has a 20% or more correction once every three years (based on research from 1926-2006). Your portfolio should be positioned to withstand such "corrections".

Remember, the golden rule is to buy low and sell high. Our emotions have been controlling our important financial decisions and making us do the exact opposite. When the market is down 40%, like today, it's the time to buy, NOT SELL. After the market recovers and continues to increase, it's time to sell, NOT buy. Too many investors get this exactly wrong because they let their emotions control their investment decisions, not financial truisms.

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Do you have cash today and wonder where it is best place? The best advice I can give is to not base this decision on what the stock market is doing today, this week or this month. Remember, if you develop a comprehensive, solid plan that takes into account your financial goals, asset allocation, diversification, and your risk tolerances, you will accomplish your goals. If you're not sure about investing today, start small. Invest 25% of your money today and invest another 25% every quarter – this is dollar cost-averaging and could be a real advantage.

Bond Funds. There are many bond funds on the market that have earned money during the past year and are safe bets to keep your money invested if you are unsure about the market. Contact Jim Roman for his view on where the market is heading and how to position your portfolio to take the best advantage of the market future.

Get creative. Starting thinking outside the stock market. Consider investments in Oil & Gas, developing a Deferred Compensation Plan, starting a Tax Shelter and more.

Lastly, **manage your fees.** Own a company? Many companies overpay for their 401k, but are told they pay nothing. Have Jim Roman review your Retirement Plan to show you exactly how much you are paying for your 401k and where you can save money. Not own a company and just participating in a 401k, Retirement Plan or another investment? Do you know where all of the fees are? My advice is to avoid “B-shares” because they may have surrender fees attached. Keep annual expenses at or below 1.00%. Remember, there are management fees, expenses and 12-B1 fees in most investments. Many investors don't even know how much in fees they are paying. There is no such thing as a free investment, most investment companies are multi-billion companies because they charge fees, not by doing investments for free. Contact Jim Roman for a free and comprehensive review of the fees you are paying in your 401k or other investments.

Here are six key steps to follow to safeguard your money and stop losing your investment:

1. When investing, don't let emotions rule
2. Trust, but verify
3. Know when to buy
4. Know when to sell
5. Know when to buy more
6. Remember, dividends and taxes are important

For additional information on how to safeguard your investment and ensure you stop losing money, contact Jim Roman at www.friscofinancialgroup.com, 469-252-4809 or jroman@friscofinancialgroup.com.