

New-paradigm investing is not without challenges



Rapid advance in communications technology gives investors added powers. Success, though, means using those tools correctly.

If you do the same thing over and over and keep getting desirable results, that would be good, wouldn't it?

Unfortunately, when managing investments, when we act in the same manner as we've always done, chances are our outcome WILL be different because the marketplace is ever-evolving. Simply put: Things change. Strategies and trends tend to change over time, and sometimes don't work as well as they once did.

So it may be wise to adjust your thinking along the way and remain flexible with your investment philosophy so you can maximize your chances of garnering excellent results moving forward.

You're in command

There is no doubt the pace of communication has increased, leading to faster access to information, which has allowed us to rethink old strategies like "buy and hold."

The buy and hold strategy worked in the past partially because most investment products were sold by brokers who used to be the only window to information. Each purchase or sale carried a huge commission and most investors were forced to accept or reject broker advice and consider the commissions and costs associated with every transaction. Thus, if you bought one investment and kept it for a long time, you would be better off because you would save on transaction fees and, surely, your broker would keep you properly apprised of any relevant changes in your investment.

What the Internet hath wrought

Oh my, have things changed.

These considerations are no longer an issue. With the Internet, you can get timely information on just about anything, and technology lets you test your own strategies, control your portfolio and manage trades in new ways. In fact, trade costs have

plummeted and now range from \$4.95 to \$9.95 per trade (vs. the several hundreds of dollars it once cost).

We're not advocating jumping in and out of investments whenever your emotions run rampant, but we do suggest you consider making strategic moves when the timing calls for them, rather than holding something that has clearly fallen out of favor simply because your broker told you to buy and hold it.

A new approach

Consider moving away from "buy and hold" and toward a more creative strategy coined "buy and stay invested." One way to reap the benefits of the new paradigm for investment management is to allocate a portion of your investment toward a core strategy using a professionally managed, appropriately diversified portfolio while assuming some extra exposure in sectors that you believe might do well over a given period of time.

These sectors will come in and out of favor, but if you keep up and make changes when necessary, this can lead to enhanced returns. There are certain assets or sectors that do better (or worse) at certain points in time. For example: Some specific asset classes have done better in falling interest rate environments, others have done better in rising interest

rate environments. The same is true for inflationary periods and recessionary periods. The benefit of increased technology allows you to make these kinds of decisions at a lower cost, faster and more efficiently than you were once able to do. Hence, the changing investment paradigm.

Above all: Keep flexible

The key is to adapt to a flexible approach and use timely strategies and investments to stay on top during each stage of the cycle. Instead of looking at everything on a quarterly basis, as used to be typical, you can now evaluate things on a much more frequent basis and make necessary and beneficial changes when the time is right.

If you are not maintaining your flexibility and adapting to timely strategies as things continue to change, somebody should be! There is great opportunity with active management, so make sure you're taking advantage of it. **I**

Instead of looking at everything on a quarterly basis, you now can evaluate your investments with much greater frequency.

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