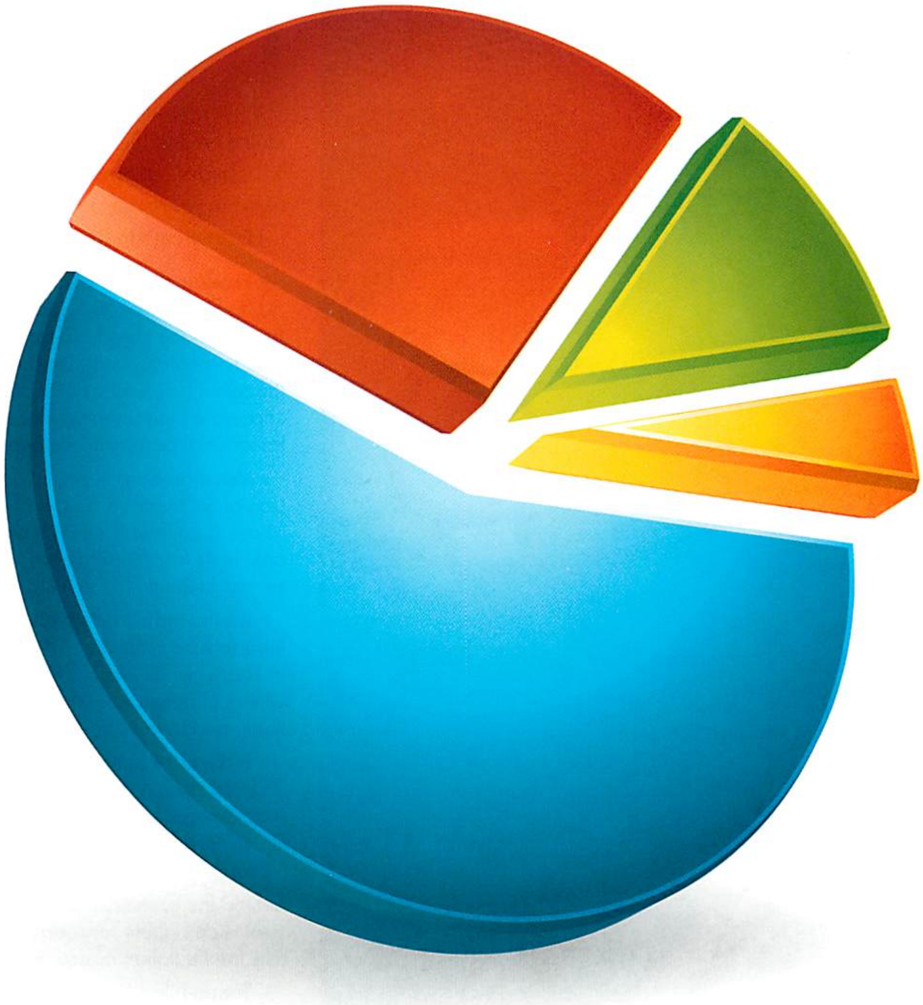

SIMPLE IS SMART WHEN IT COMES TO INVESTING

BY JOHN SPOTO

Well-designed investment plans are simple, not complicated. Each investment complements the others and contributes positively to the portfolio's performance.

In the most basic terms, when an asset is added, it should either reduce the risk or improve the after-tax return.

Unfortunately many investors make decisions ad-hoc, based on recommendations from the media and suggestions from other people, without regard to the impact on their entire portfolio. Over time, this leaves them with a mismatched collection of redundant and overlapping positions that underperform the broad financial markets, contain unnecessary risk, are difficult to understand and expensive to maintain. Investors pay a steep price each year they hold these portfolios.

Constructing a sensible and efficient investment plan consistent with an individual's specific goals and circumstances takes careful thought and effort. Here are some fundamental questions to help you determine if you have the right plan:

1. Does the portfolio match your financial goals and ability to handle risk? What goals and expenses do you want to fund and when do you want to fund them? Are you saving to buy a home, pay for a child's education, or fund your retirement? Have you quantified these goals and the amount you will need to save or invest to reach them comfortably?

Your emotional and financial ability to accept short-term losses in exchange for expected, but uncertain, longer-term gains must be determined before you invest. A sensible mix of different assets should reflect the risk level you can tolerate.

2. Does the portfolio compensate you adequately for the risk you are taking? When you invest, you accept 100 percent of the risk. Are your investments sufficiently diversified so that unnecessary risk is stripped from the portfolio? Are you being compensated for the risks you are taking in the form of higher expected returns?

3. Have you identified your investment costs and the value you are getting for your money? Investment expenses reduce your returns and can cost hundreds of thousands of dollars over a lifetime. Are you forfeiting too much and getting too little in return?

4. Have you placed the right investments in the right accounts to improve your after-tax returns without increasing your risk? Taxes can also drain your investments. Different types of accounts, assets, and earnings are taxed differently.

5. Is your portfolio as simple as it should be? When it comes to investing, the most effective solutions are usually the most straightforward. A thoughtfully constructed portfolio requires only a small number of carefully selected, low-cost funds to provide exposure to the asset classes needed. Successful investors understand the role of each investment they own, the reason they own it, and how it improves the chances of reaching their objectives.

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Before adding an investment, make sure you understand what you are buying and how it will complement your other assets to enhance your overall plan. Ask yourself: Will it reduce my risk or improve my return?

Keeping your investment plan simple can help you achieve your financial goals with greater ease and confidence. MVB