

I have \$10,000 to invest and I would like your advice on how to do it. All of the information out there seems to fit larger sums but this is all I have and I would like your advice. NMP

I understand your problem. I will be the first to admit, there are more investment opportunities with larger sums of money, but it is possible to invest \$10,000.

First, in order to put together a portfolio you need to understand two things. What kind of volatility you are comfortable with and second, the time you will need the money. If you need the money right away, you need to be in either a CD or Savings Account. If you are risk averse, ie you are scared to look at your statement on a monthly basis because you might have lost a little money, you need to have a portfolio with a high percentage of fixed income.

There are tools allowing you to have a good portfolio with minimal investment. These are called Exchange Traded Funds, ETF's. They are simply mutual funds that trade throughout the day like stocks. They offer low management fees and tax efficiency. Most ETF's track an index like the S&P 500 or Russell 2000. There are also bond ETF's that track bond specific indexes. A good resource to read about more information is www.ishares.com.

Going back to your question on how to invest the \$10,000, you can take some of the ETF's and put together a portfolio that is diversified and cost effective. You need to have a mix of fixed income and equity, stock, exposure with the allocation depending on time horizon of use and risk tolerance. If you are 30 years old and an aggressive investor that is looking to retire at 60, your portfolio should have 10-20% fixed income, with the rest in equity. On the other hand if you are 50 years old and are looking to save money for a down payment for a second home in 6 years, your portfolio should have the opposite ratio of 20% equity and 80% fixed income.

Again, \$10,000 can be properly invested and with a small contribution of \$1000 every year for 10 years, you will have over 3 times that, \$30,000, if you earn a 6% return. If you have any questions you would like answered, please call me at (866) 724-4291 or email scottboyles@brightscape.com.