

Are Your Investments Properly Diversified?



Larry J. Gallant
FINANCIAL VIEW
ADVERTORIAL

Diversify. You've heard the word before. It's one of those "buzz" words that are planted into each investors head by television commercials, newspapers and radio ads. And there's a good reason why Financial Advisors preach it to their clients over and over again. But what does it really mean?

When we talk about your investments, diversification can mean many things. The most obvious meaning refers to having a number of different investments. By ensuring your portfolio contains a healthy mix of investment types, you decrease portfolio volatility and increase your growth potential.

A portfolio that diversifies assets between cash-equivalent investments, fixed income investments and equity investments can better take advantage of a wide range of investment opportunities. The more opportunities, the more potential for growth. A portfolio that holds only one type of asset, one mutual fund or one stock has less protection because a downturn in that single investment can have a serious negative impact on the value of the portfolio.

There are many ways to diversify your investments. If you hold several guaranteed investment certificates or corporate bonds within your portfolio, you need to ensure that the maturity dates of these investments are laddered, or staggered, so that the investments don't all mature in the same year.

If your portfolio holds mutual funds, are they invested primarily in Canadian corporations or are they diversified in several countries around the world? If they are only invested in Canadian corporations, you miss out on about 97% of the world's investment opportunities. Do your mutual funds pay dividends that are automatically re-invested? How many growth mutual funds do you hold?

If you hold mutual funds, are they all managed by a single company, whether that be a bank or specific mutual fund company? There are over 250 fund families available in Canada. Thus there are thousands of funds available for investing. Is it questionable that your bank or investment firm believes that their own particular brand of mutual funds is best suited for you? Perhaps.

"Your financial well-being is far too important to be based on a leap of faith if you are not being kept informed by your Financial Advisor."

Does your portfolio hold stocks? If you only invest in mutual funds, adding individual high quality stocks can enhance the overall performance of your portfolio. Portfolios, including RRSP's, can benefit by adding quality dividend paying stocks as well as growth stocks traded in Canada and the United States.

If you've read this column and are left scratching your head because you don't know the answers to the questions raised, you need to act. Your financial well-being is far too important to be based on a leap of faith if you are not being kept informed by your Financial Advisor.

To discuss this article or to arrange a free, no obligation review of your portfolio, please contact me at larry.gallant@queensbury.com or by calling 905-892-2100. I'll give you an unbiased assessment of your investments, the good and the bad. To subscribe to my monthly newsletter or read past articles, visit my website at www.gallantfinancial.ca.

Larry J. Gallant is a independent Financial Advisor with Queensbury Securities Inc., a member of the Canadian Investment Protection Fund and the Investment Industry Regulatory Organization of Canada

The comments and opinions expressed herein are not necessarily the opinions of Queensbury Securities Inc. Securities mentioned may not suit all types of investors. Before making any investment decision, contact your investment advisor to discuss your investment needs.