

The Benefits of a Queensbury Portfolio Review



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FINANCIAL VIEW
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As a Financial Advisor for over twenty years, I've conducted my share of portfolio reviews for people looking for a second opinion on their investments. But not everyone seeks out a second opinion. This is primarily because there is some confusion as to what a portfolio review actually is. Obviously, without understanding the benefits of a portfolio review, investors rarely take advantage of this exercise from someone other than their current Financial Advisor. They just don't know what to expect and it seems like too much work to seek another opinion.

I look for a number of things when conducting a portfolio review. First, it's crucial that I understand what the investor's financial goals are. This allows me to properly assess their risk tolerance. Logically, someone who is 60 years old with only a few years until retirement is likely to be more risk averse than someone who is 35 with a career ahead of them.

Second, I look at the make-up of the investor's portfolio. It should reflect their risk tolerance and investment time horizon. Are the assets quality investments or is it time for some to be replaced? A portfolio that has been neglected often does not meet the risk tolerance of the client. This becomes evident if the investments held within the portfolio are not properly balanced.

Unless you are in a position to take on added risk, your portfolio should have some element of income, whether it be generated from bonds, investment certificates or preferred shares. These types of investments will limit volatility and stabilize an account during down markets. In most cases, portfolios should also hold growth investments, typically mutual funds and stocks. An account that holds a combination of income and growth investments is considered balanced...provided it matches the owner's risk tolerance.

There are a number of other risks that an investment portfolio can create. Holding investments in a currency outside of Canada exposes the investments to "currency risk". As long as the investments fluctuate against the Canadian dollar, there is a possibility of movement in the value of the investment, separate from its actual performance.

Another risk is called "interest rate risk". For example, if you own a \$100 corporate bond that pays 5% annually, the value of the \$100 bond will likely decline should interest rates begin to rise. After all, why would your bond maintain its full value when newer bonds of similar investment quality could be purchased paying more interest? Suddenly the \$100 corporate bond paying 5% doesn't seem so attractive.

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Last but not least, when analyzing someone's investment portfolio, I look for something I call "hidden risk". Many people hold mutual funds in their portfolio that they hope will allow them to diversify their investments in several companies. The problem is that many of these mutual funds can be similar to each other; they hold many of the same companies within their fund. This causes them to mirror each other, moving up or down in the market. Portfolio rebalancing can help your portfolio meet its optimal growth potential.

I can't tell you how many portfolios I've reviewed that were down as much as 50% in the last two years and still are nowhere close to recovering from the recession, simply because the investments were all similar in nature or poor quality. Financial Advisors can't always see where the markets are going but if you are going to invest in fluctuating securities, we can help you to properly balance your portfolio to reflect your risk tolerance. This will give you peace of mind.

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.

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.