

# Controlling Your Investments – What kind of Animal Are You?

By J. Andre Weisbrod

## *Which kind of animal are you?*

- Deer in Headlights – You are frozen, startled and unable to move. Clueless and afraid, you do nothing.
- Ostrich – You are ignoring it all and just hoping it will go away. Also clueless, you do nothing.
- Chicken sighting a fox – You are running around without direction, turning here, turning there with no real plan or idea of what is best.
- Lion – You are calm, attentive, alert and ready to defend yourself or take advantage of a situation. You are able to stay put or attack with confidence.

## *No Time for Timidity*

It is possible for things to work out ok for all four types of people. The deer may not get hit. The truck may stop and allow the deer to cross the road without lasting damage. The ostrich may suffer no long-term ill effects by being unguarded and ignorant. And the chicken may waste a lot of energy and emotion while the fox moves on or picks another victim.

But the lion is in the best position to assure success. The lion stands firm, only retreating when he is clearly at a disadvantage.

Timidity is not recommended. Certainly throwing in the towel and putting all your money into cash at a 1.5% return won't solve your need for a real return above taxes and inflation.

## *The Pro-Active Investor*

The lion-hearted investor should be on the prowl, ready for opportunities. Among the ruins of this market is great opportunity.

## *History and Common Sense*

Consider the graphs of the stock market on the last page. Circle the points at which you think the best buying opportunities were present. How do those points compare to where we are now?

## *Start Fresh With "Zero-Based" Planning*

Start fresh. I've mentioned this before, but it bears repeating. What's done is done. Imagine that you woke up this morning after sleeping for ten or twenty years. You are starting out new. However, you have been given some assets to begin with. Look at them. Add them up.

Now set goals and do the math. Start a new plan. How much will you need for retirement? How much do you need to save and invest to get there? When will you need to buy another car? How much do you need to save and invest to get there?

We have provided a couple simple planning tools on our web site to help you do this. Or talk to your financial/investment advisors.

## *Time to Act – Four Things You Can Do Now*

Now is the time to act or at least get yourself ready to act. Consider one or a combination of these:

### **1. Rebalance your portfolio.**

Let's say you were comfortable in 2000 with a balanced portfolio that had 30% bonds and the rest in stocks. Because stocks have gone down and bonds up since then, your current allocation may be 40% bonds and 60% stocks. Rebalancing will switch enough bonds into stocks to bring your allocation back to what you were comfortable with in 2000 and will result in your selling high and buying low, which is your time-honored basic principle of successful investing.

EXAMPLE:

	<u>Bonds Amount</u>	<u>Bonds %</u>	<u>Stocks Amount</u>	<u>Stocks %</u>	<u>Total Value</u>
1/1/02 Allocation	30,000	30%	70,000	70%	100,000
7/18/02 Allocation	36,300	42%	49,700	58%	86,000
Action	(10,500)		10,500		
New Allocation	25,800	30%	60,200	70%	86,000

2. **Add to your investments.**

Adding to your investments out of new income allows your rate of discipline to help enhance your long-term chances of success. By adding during a down market you increase the amount of your principal investment. When the market goes back up you will enhance both the total amount of your investments as well as the rate of return. Of course a future increase in the stock market cannot be guaranteed, but history would indicate it is a high probability.

Consider the hypothetical scenario below. It assumes your stock mutual fund lost 29% since the end of 1999. It then assumes that over the next three years your stock fund increases in value by a total of 50% (14.46% per year compounded). Adding just \$2,000 now would almost double the cumulative total return, and you would have \$3,000 more net worth.

<u>Strategy</u>	<u>Invested end of 1999</u>	<u>Additions Now</u>	<u>Value on 12/18/02</u>	<u>Cumm. Simple Return</u>	<u>Hypo- thetical 3- Year Increase</u>	<u>Value in 3 Years</u>	<u>Cumm. Simple Return Since End 1999</u>
Lump Sum Only	50,000		35,500	-29.0%	50%	53,250	6.5%
Lump Sum Plus \$2,000 Addition Now	50,000	2,000	37,500	-27.9%	50%	56,250	12.5%

3. **Hold your cash and be vigilant**, ready to buy when the market shows a significant sign of returning to an up trend.
4. **Hire a private money manager** who has a track record of identifying trends and moving assets around to take advantage of those trends. Our "MetaTrends" service is designed to do this. (For information on this service, call 412-367-9076.)

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<u>STAAR Funds</u>	<u>Ann. Return</u>	<u>Compared to...</u>	
Intermediate Bond Fund	6.8%	MS Intermed. Bd Fds Avg	6.7%
Long Term Bond Fund	5.6%	MS Long Term Bd Fds Avg	6.2%
Larger Company Stock Fund	-5.8%	S&P 500 Stock Index	-9.2%
Smaller Company Stock Fund	6.3%	Russell 2000 Index	1.7%
International Fund	-5.9%	EAFE Index	-6.8%
AltCat Fund	-0.9%	MS MultiAsset Global Fds Avg	0.5%

*Past performance is no guarantee of future results. Investment returns and principal values fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.*

**MetaTrends** Private Management  
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**For information, call Andre Weisbrod at 412-367-9076 or Rick Katterson at 724-869-7526.**

*Our version of Where's Waldo? --- Where are the best places to buy?*

