

## DIVERSIFICATION ROCKS AND ROLLS WITH THE PUNCHES

Remember how good you felt when you decided to allocate your investments in a broadly diversified investment strategy? Wow, you hired the best and the brightest to help protect you from financial market punches. Slow and steady positive gains reinforced the wisdom of your decision. But as 2007 unfolded and the winter of 2008 plodded forward, your confidence was sorely tested.

Current conditions provide the perfect impetus to review the diversification of *all* that you own – not simply your portfolio. Financial security is multi-faceted. Diversification helps build financial security. One effective strategy for taking a closer look is to complete a *Family Net Worth Scorecard*.

Start with a pad and pencil – or excel spreadsheet if you prefer – and record everything you *owe*. It's easy to remember the mortgage, but don't overlook the car lease, line of credit, those outstanding credit card bills, and student loans. If you *owe* it, do the arithmetic. Remember to check your credit report, too. One woman discovered a lien against her home from 30 years ago – initiated by her husband's former wife!

The fun starts with the *own* arithmetic. Add up *everything*. Your list may include:

- value of funds in various bank accounts or CD's
- cash value of life insurance policies
- current market value of residential or commercial real estate
- brokerage account totals
- retirement account totals
- value of pensions and executive perks
- appraised value of your business
- value of trusts or an inheritance
- property settlement value, if divorcing

Perhaps you have purchased commercial property from time to time – anticipating turning profits into additional retirement funds. Be certain your liability coverage still protects your increased net worth and appreciated property values. Without sufficient protection, an unexpected claim could significantly reduce your family's net worth.

Hopefully readers who are close to retirement have found that their 'own' column is much longer than the 'owe.' Subtract what you *owe* from what you *own*. The remainder is your family net worth. Does your *Family Net Worth Scorecard* reflect the multi-faceted diversification you need to help build and preserve your family's financial security?

For months now, the media has bombarded us with reports of the "unwinding" of economic imbalances. Following a pretty good upturn in the financial markets from 2003 - 2007, we are being tossed and turned in the volatility that accompanies the correction of belatedly admitted problems. A major cause was the widespread and willy-nilly use of borrowing - often reported as credit or leverage - whether packaged, or uncollateralized mortgages, or just plain credit card overuse. One is reminded of the farmer who killed the goose that laid the golden eggs. He wanted *more, faster*.

Current implosion due to overweighting a single money-making tool - *the use of debt* - again proves the old adage, "Don't put all your eggs in one basket." While no one can control the financial markets, we do control of our family's financial decisions. Remind yourself that your broadly diversified investment strategy seeks to avoid a fundamental cause of current volatility. And it is designed to serve your family for a lifetime - long after current short-term volatility has been forgotten.

As you patiently wait for the financial markets to recover, restore your confidence by taking action, if needed, to build additional strength in the *own* column of your *Family Net Worth Scorecard*. Restore your confidence by contacting your financial professional, for assistance with planning tools tailored to protect *your family's* financial security.

There is no assurance that a diversified portfolio will produce better returns than an undiversified portfolio,  
nor does diversification assure against market loss.

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