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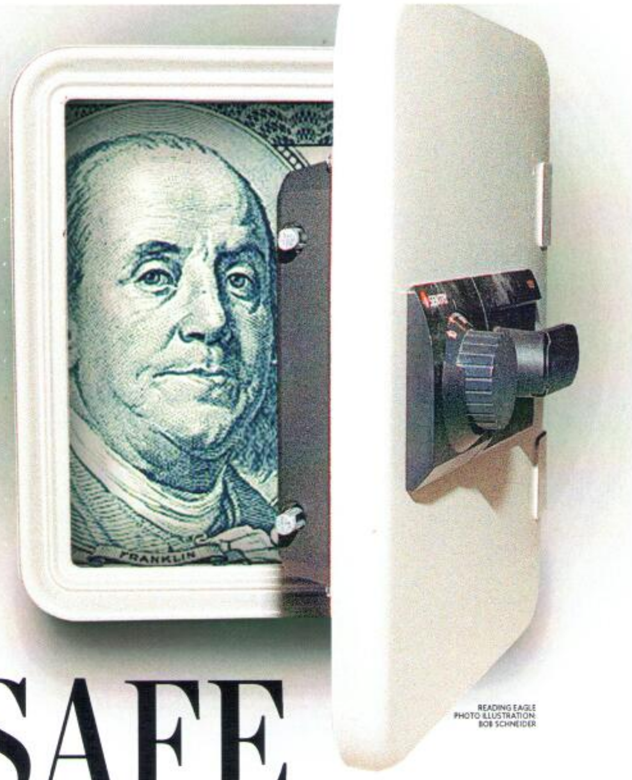

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SAFE may not be sound

It's a rocky investing world out there, but keeping money in savings may not be right either

By Karen L. Miller
Reading Eagle

With interest rates so low on savings, certificates of deposits and money markets, and world economies shaking the international markets, the stock market can be a scary place to put that hard-earned money.

What is a risk-averse investor to do?

"The U.S. economy and markets are still feeling the effects in the aftermath of the 2008 financial crisis and recession," said James T. Barnes, senior fixed income manager at National Penn Investors Trust Co., Wyomissing. "The current interest rate environment is historically low, and risky assets continue to trade with much volatility.

"It is important for investors to understand that our current position within the business cycle is constantly changing.

"Investors should select an asset allocation, consisting of a mix of diversified assets, that is appropriate for them."

Jay R. Kemmerer, president and chief executive officer at Berkshire Advisors Inc., Wyomissing, said: "I believe investors today more than ever must have a clearly written financial blueprint to help identify the key goals and risks willing to be taken to improve one's income or long-term financial goals.

"Today there is no shortage of financial products to help investors trying to diversify or mitigate risk, while increasing potential income.

"Investors may contemplate the use of corporate bonds/mutual funds; tax-free bonds; immediate or fixed annuities; real estate or energy income trusts; inflation protected treasuries, known as TIPS; preferred stock or blue chip dividend-paying stocks to help round out their overall portfolio."

William A. Morgan, president of Herbein Wealth Management, Spring Township, said: "The most important thing that an investor can do is focus on aspects of investing that they can control and that matter."

Morgan listed five things investors can control:

- not taking more risk than needed.
- keeping investment expenses low.
- not timing the markets.
- developing a long-term investment plan and sticking to it unless circumstances change.
- owning a well-diversified portfolio.

James L. Adams, president of Adams & Associates, Blandon, said: "There is no investment that is without risk. While investors worry about day-to-day price fluctuation in their stocks and bonds, and the short-term impact on principal values, many people ignore the long-term impact of low-yielding investments.

"Not earning enough in interest-bearing accounts puts your purchasing power at risk. So it's all about balancing risk and then having the courage to stay the course."

Michael Butterworth, president of M.P. Butterworth & Associates, Kenhorst, said even in today's economy, it's not surprising that investors are afraid of risk.

"What we have learned since 2008 is that there are financial strategies that can help people weather a downturn in a very conservative way and still partake in the stock market," Butterworth said. "Purchasing a protection product like whole life insurance not only pays a benefit in the event of an untimely death, it also builds guaranteed cash value that can be accessed while the policyholder is alive to provide income."

Kemmerer said: "Diversifying among one or more of the various assets classes may tend to make the most sense.

"Always remember to seek the advice of a qualified professional and know that your neighbors' financial solutions most likely will not apply to you."

Barnes said: "A common mistake made by investors is selecting an asset allocation based on our current position within the business cycle.

"For this strategy to work, investors would have to be very good at timing changes in the business cycle — a very difficult task and one that could lead to a riskier portfolio than desired."

Adams pointed out that dividends are a good source of income.

"The incremental return provided by a dividend-paying stock can provide a measure of stability and help to lessen volatility in a portfolio."

Contact **Karen L. Miller:** *610-371-5049 or money@readingeagle.com.*