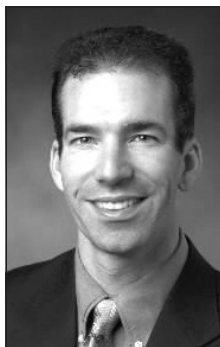


THE PLAIN DEALER

MONDAY, APRIL 28, 2008



ASK THE EXPERT

Scott Snow, Managing Director, Scott Snow (financial advisors) LLC

Credentials: Certified Financial Planner, Certified Public Accountant, Certified Investment Management Analyst

Experience: 15 years

Assets under management: \$244 million

Question: *I'm planning to retire in a couple of years and I can't take all of this fluctuation in the stock market. I'm down about 10 percent for the year. What are some other options for me (besides the market) that are a little more stable? I'm not necessarily planning on getting out entirely, but I need some stability.*

Advice: It's great to see that you are taking the time now to perfect your investment strategy prior to entering retirement. Based on the performance you noted (down about 10% for the year), it appears that your portfolio is heavily weighted towards equities. Your portfolio's performance is in-line with the major U.S. equity market indices for the first quarter of 2008 (Russell 3000 returned -9.52% and S&P 500 returned -9.44%).

Considering the feelings invoked by your investment performance, it's quite clear that your portfolio is not appropriately allocated. In addition, rather than looking for alternatives that exclude the stock market, we suggest reviewing your investment strategy.

Understand Asset Allocation

First off, let's take a step back and revisit asset allocation. Asset Allocation is just a fancy way of describing the proportion of asset classes (think cash, bonds and stocks) that comprise your portfolio. The primary goal of the strategy is to construct an optimal combination which creates an efficient portfolio (minimizes risk and maximizes expected return). The key to asset allocation is correlation. In other words, how individual asset classes perform relative to others over the same time periods.

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For instance, generally speaking, when stocks are struggling bonds normally perform well.

Determine Optimal Asset Allocation

Next, it's time to revisit the single most important decision related to your investment portfolio that you'll ever make — choosing an asset allocation. This is a critical decision because empirical research has shown that close to 90% of your portfolio's return will be determined by its asset allocation.

Several factors figure into selecting the appropriate asset allocation for your portfolio. Specifically, your current financial footing, your goals and objectives, your time horizon and your risk tolerance will weigh heavily into the equation.

Understanding how you would react to a particular combination of expected return and risk will help guide your decision. Let's assume you select an asset allocation of 60% Equities and 40% Fixed Income. During the first quarter of 2008, we would have expected your portfolio to post a return of -4.84% (much easier to stomach than the -10% you noted).

Implementing Your Plan

Depending on the complexity of your overall financial situation and your desired level of involvement, you may want to contemplate a do-it-yourself option. Specifically, consider utilizing

a low-cost and highly-rated Target Retirement Fund. The beauty of these mutual funds is their simplicity. Target Retirement Funds can be one-stop shopping as they are designed to provide the proper asset allocation for investors who plan to retire in a given year (a 2040 target fund is geared towards investors planning to retire in 2040). As the funds and their investors mature, allocations automatically rebalance, ultimately shifting gears into a more conservative allocation when retirement day arrives.

It is important to note that not all Target Retirement Funds are created equally. We recommend considering the T. Rowe Price Retirement 2010 Fund (down 5.61% for the first quarter 2008) and Vanguard Target Retirement 2010 Fund (down 4.08% for the first quarter 2008) for their low costs and impressive performance track records and reputations for excellent fiduciary responsibility.

Hopefully, following our guidance will help to reduce your level of anxiety related to your investments and ensure a smooth transition into retirement. If you determine you need more assistance, we highly recommend searching for a fee-only financial advisor at www.napfa.org.