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From the Desk of the Lev Rourk Group

U P D A T E

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Avoid These Investment Mistakes

When making decisions about your investment portfolio, avoid these common investment mistakes:

✔ **Chasing investment performance.** Investors often move out of sectors that are not performing well and invest that money in high-performing investments. But the market is cyclical and those high performers may be poised to underperform, while the sectors just sold may be ready to outperform. A classic example is technology stocks in early 2000. Many investors rushed to purchase technology stocks just as they reached their peak and were headed for a long downswing. Rather than trying to guess which sector is going to outperform, broadly diversify your portfolio across a range of investment sectors.

✔ **Looking for get-rich-quick investments.** When your expectations are too high, you have a tendency to chase high-risk investments. Your goal should be to earn reasonable returns over the long term in high-quality investments.

✔ **Avoiding the sale of an investment with a loss.** When selling a stock with a loss, an investor has to admit that he/she made a mistake, something that is psychologically difficult to do. When evaluating your investments, objectively review the prospects of each one, making decisions to hold or sell on that basis rather than on whether the investment has a gain or loss.

✔ **Selecting investments that don't add diversification benefits to your portfolio.** Diversification helps reduce your portfolio's volatility, since various investments

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Distributing Personal Possessions

Dealing with major assets may be so time consuming that you don't even think about your personal possessions, leaving distribution decisions up to your heirs. But disputes over personal possessions are more apt to cause conflict among heirs than disputes over money. Some items to consider include:

✔ **Take time to think about who should receive treasured personal possessions.** You might want to detail your wishes in a separate letter. Indicate why you are distributing those possessions in that manner.

✔ **Ask your heirs what possessions are important to them.** Otherwise, you may inadvertently give a treasured possession to one child without realizing its importance to another child. Children may then try to read motives into your decisions that didn't actually exist.

✔ **Don't distribute assets based on arbitrary criteria.** You don't necessarily have to give your jewelry to your daughter or your tools to your son. Your son might want to pass on some of your jewelry to his wife or daughter. Likewise, don't give your most valued possessions to your oldest child without considering younger siblings.

✔ **Devise a method for heirs to distribute personal possessions.** You probably won't want to decide how every personal possession should be distributed. After you have determined how to distribute valued possessions, detail a method for heirs to distribute the rest of your possessions. It can be as simple as having heirs take turns selecting items or flipping a coin if more than one person is interested in an item. ✔✔✔

Investment Mistakes

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respond differently to economic events and market factors. Yet, it's common for investors to keep choosing investments that are similar in nature. This does not add much in the way of diversification and makes the portfolio more difficult to monitor.

✔ **Not checking your portfolio's performance periodically.** While everyone likes to think their portfolio is beating the market, many investors simply don't know for sure. Analyze your portfolio's performance periodically and compare your actual return to the return you targeted when setting up your investment program. If you aren't achieving your targeted return, you risk not achieving your financial goals. Honestly assess how well your portfolio is performing. Are major changes needed to get it back in shape?

✔ **Letting market predictions cause inaction.** No one has shown a consistent ability to predict where the market will be headed in the future. So don't pay attention to either gloomy or optimistic predictions. Instead, approach investing with a formal plan so you can make informed decisions with confidence.

✔ **Expecting the market to continue in its current direction.** Investors have a tendency to make investment decisions based on current market trends. Thus, if the stock market has been performing well for a period of time, investors tend to move more and more funds into that area. However, there is a tendency for markets, when they have an extended period of above- or below-average returns, to revert back to the average return. For instance, following an extended period of above-average returns in the 1990s, the stock market experienced a significant downturn, which helped to bring the averages back in line.

✔ **Not understanding that saving and investing are two different concepts.** Saving involves not spending current income, while investing requires you to take those savings and earn a return. Separating saving from investing may make it easier to save. Find ways to make saving as automatic as possible, then take your time to research and select specific investments.

✔ **Considering only pretax returns.** One of the most significant expenses that can erode your portfolio's value is income taxes. Thus, don't just consider your pretax returns, but look at after-tax returns. If too much of your portfolio is going to pay taxes, look at strategies that can help reduce those taxes.

✔ **Not realizing that help is only a phone call away.** The investment world has become very complex, with a vast assortment of investment vehicles now available. If you need help with your investment decisions, please call. ✔✔✔

A Portfolio Tune Up

Over time, the weighting of the asset classes in your portfolio can change, but a simple rebalancing of your portfolio may be all that is needed to get it back in line. Since different investments earn different rates of return, their values grow at different rates, changing the weightings in your portfolio. These changes can cause your portfolio risk to increase or decrease, making rebalancing a necessary part of portfolio maintenance.

While you should definitely rebalance when your financial objectives or life circumstances change, you also want to rebalance on a regular basis. There are three basic methods to consider:

✔ **Rebalance annually.** Choose a date to rebalance, perhaps at the beginning of the year, when you receive your annual statements, or at the end of a quarter. On that date every year, compare your current allocation to your target allocation. Any allocations off by more than 5-10% would require rebalancing.

✔ **Rebalance when your allocation differs from your target allocation by a designated percentage.** With this type of rebalancing, you monitor your portfolio more frequently, perhaps monthly.

✔ **Rebalance based on current market conditions.** With this approach, rather than one specific percentage for each asset class, you might have a target range. For instance, you might allocate anywhere from 30% to 50% of your portfolio to large-capitalization stocks. Depending on your views of the market, you might want to allocate near the low or high end of that range.

There are many ways to change your allocation among investments. You can purchase additional amounts of the investment that is underrepresented in your portfolio. You can sell investments in overrepresented portions and invest the proceeds in underrepresented portions. Any withdrawals can be taken from overweighted investments. Income from your portfolio, such as dividends and interest, can be invested in underweighted investments. Ultimately, you need to consider tax ramifications and your own individual investment preferences. ✔✔✔

How to Save More: Step by Step

For many of us, saving money is difficult. The truth is that most people don't keep careful track of how much they spend and so don't do enough to find ways to save. If that describes you, here's an eight step program to help you find more savings in your household income.

Step 1: Create a budget. Don't think of a budget as a way to scrimp, but as a log that keeps you aware of where your money is going and enables you to manage it better. The key is to keep it organized and in a format that you can return to again and again.

Make a single sheet for each month. Organize it into two sections, one for expenses and the other for income. Divide the expenses section into two parts: the ones you pay for out of your checking account and the ones you pay for at a cash register. Then create a line for every kind of recurring expense you have, from your mortgage or rent, to your utilities, phone, and cable, your memberships and subscriptions, life insurance, and payments for loans and credit cards.

For out-of-pocket expenses, make estimates in advance and create line items for lunches out, personal care like the hairdresser or nail salon, gas and oil, prescriptions, clothing, and entertainment. In each part, do your best to include everything, but keep in mind your budget is a living document that you can add to as you remember items.

Devote another column to the net income you expect to receive for the month from all sources. Then, subtract your total expenses from your income. If the result is negative, you've discovered a problem. Fixing it, either by spending less or earning more, will bring your spending in line with what you make.

Step 2: Track your spending. What you've just created in the first step is a master budget. Now, start tracking what you actually spend. That's not too hard when it comes to making payments out of your checking account. The challenge is when you pay for things at a cash register, whether you use cash or a card.

Keep all your receipts and make a daily record for any expenses for which you don't receive a receipt. Your banking app may also help you track daily expenses. Then, once a week, enter what you actually spent into your budget. Look for how your actual spending affects the balance between your expenses and total income for the rest of the month.

Step 3: Set a saving goal. As you make your master budget, think about a goal for the extra savings you want to achieve. Enter that amount as a savings line item in your column of recurring monthly expenses.

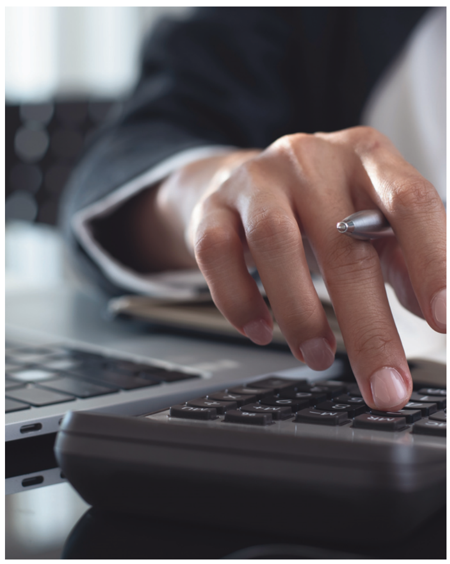
Step 4: Make the savings automatic. The key to actually saving what you intend to save is to make the transfer from your paycheck automatically. It's best, then, to do one of three things: increase the amount you contribute to a workplace savings plan by payroll deduction, authorize a deduction every month from your checking account, or write and deposit a check into your savings account as soon as you get paid.

Step 5: Cut down on discretionary spending. The places you'll find savings are the things you can really do without. These range from expensive morning coffee to meals out, movies, shows and concerts, premium TV channels, expensive smart phone data plans, and even your vacations. It can be difficult, at first, to say no to yourself, but with practice it gets easier, especially when you see your savings balance start to grow faster.

Step 6: Review your big-ticket finances — mortgage, car loans, or lease. You can find your biggest savings by carefully reviewing your biggest expenses. Refinancing your mortgage could save you hundreds of dollars a month. If you're leasing a luxury vehicle, consider downgrading a notch or two when it expires, or buy a recent-year used car — you may save thousands on the depreciation and could significantly lower your monthly spending.

Step 7: Avoid late payment penalties and overdraft fees. Pay all your bills on time so you avoid being charged costly late charges and fees. Keep your checkbook up to date or monitor your account balances regularly to avoid overdraft charges.

Step 8: Buy only with cash. As much as possible, make your purchases with cash instead of using high-interest credit cards. The idea is to force yourself to postpone impulse purchases that increase your balance and rack up interest charges. ✔✔✔



Handling the Financial Aspects of Death

The emotional trauma of dealing with a loved one's death can be devastating. If you also have to handle the financial aspects, it can seem overwhelming to deal with all the details. Consider these items:

Market Data

	Month End			% Change	
Stocks:	Apr 26	Mar 26	Feb 26	YTD	12-Mon.
Dow Jones Ind.	49652.14	46341.51	48977.92	3.3%	22.1%
S&P 500	7209.01	6528.52	6878.88	5.3	29.4
Nasdaq Comp.	24892.31	21590.63	22668.21	7.1	42.7
Total Stock Market	71306.98	64612.63	68052.60	5.6	29.8
Precious Metals:					
Gold	4641.00	4592.00	5232.00	6.8	40.5
Silver	73.75	73.40	92.10	1.8	125.4
Interest Rates:	Apr 26	Mar 26	Feb 26	Dec 25	Apr 25
Prime rate	6.75	6.75	6.75	6.75	7.50
Money market rate	0.42	0.42	0.41	0.41	0.45
3-month T-bill rate	3.59	3.62	3.59	3.57	4.20
20-year T-bond rate	4.97	4.88	4.57	4.79	4.68
Dow Jones Corp.	5.27	5.43	5.03	5.00	5.38
Bond Buyer Muni	4.59	4.76	4.70	4.79	4.93

Sources: Barron's, Wall Street Journal. An investor may not invest directly in an index.

✔ Your most immediate concern will be to notify family and friends of the death and to make funeral arrangements. You'll probably need to contact a funeral home as well as your loved one's religious organization. An obituary will need to be prepared, a burial site may need to be purchased, and death certificates must be obtained.

✔ If a surviving spouse and/or minor children are involved, evaluate their means of support and determine whether care needs to be obtained. In terms of the loved one's home, you may need to deal with security and other care items at the residence.

✔ Locate any safe deposit boxes and follow necessary procedures to have them opened.

✔ If the deceased was employed, contact his/her employer to start the process of collecting any outstanding pay, life insurance proceeds, or other benefits. If the deceased was retired, notify Social Security and any pension plans.

✔ Locate important documents, including wills, trusts, deeds, investment records, insurance policies, business and partnership arrangements, and other evidence of assets and liabilities.

✔ Meet with an attorney to discuss the deceased's estate matters. You may need to retain an attorney, accountant, and/or financial advisor. These professionals have experience dealing with the financial matters of estates and can help significantly with the process. ✔✔✔

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