

What Works Financial Newsletter - October 2011

Category : The "What Works in Personal Finance and Investing Newsletter"

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What Works in Personal Finance Newsletter: October 2011 Newsletter

Identity Theft Protection and Prevention: An extensive article about identity theft protection and prevention techniques.

The Best Investment Strategy: This personal investment planning summary provides strategies that have a demonstrated basis in this research literature.

What is a Well-Diversified Investment Portfolio?: Only a very small minority of mutual funds and ETFs actually pursue very broadly diversified strategies with much lower costs.

Measure Your Investment Portfolio Diversification: Understand the relative contribution that each of your investments makes to the sensible goal of holding a very broadly diversified investment portfolio.



October 2011 Newsletter

Identity Theft Protection and Prevention

As a threat to your financial security, you should take the potential for identity theft very seriously. Identity theft sometimes entails a loss of your money. However, whether or not you lose money, identity theft usually takes a very large amount of your time to rectify. To prevent an occurrence, read this extensive article about identity theft protection and prevention techniques.

The Best Investment Strategy

The best investment strategy tends to be a more simple investment strategy. Uncertainty about the future clouds everything. Everybody wants a magic system to beat the market and to do better than the other guy, but the future cannot be known until it arrives. Investors are lured by the financial industry's plentiful siren songs, but these siren songs never come with warranties. There are no magic bullets, no reliable systems, and no sure bets with investing. Personal investing can be simplified greatly by focusing only on valid strategies that have support in the investment research literature. This personal investment planning summary provides strategies that have a demonstrated basis in this research literature.

What is a Well-Diversified Investment Portfolio?

The question about diversification most frequently asked by individual investors is "how many stocks or bonds do I need to be well-diversified?" While the answer to this question is important, the caveats surrounding the answer are even more important. Brokerage commissions were deregulated in 1975, and transaction costs have fallen very dramatically since then. Well-diversified, low-cost index mutual funds have now become commonplace, when none existed forty-years ago. Because transactions costs have declined dramatically, much higher levels of diversification can be achieved far more cost-effectively today. However, most mutual funds and ETFs available to individuals have grossly excessive fees and inadequate diversification. Only a very small minority of mutual funds and ETFs actually pursue very broadly diversified strategies. These far more diversified investment funds also tend to have much lower costs.

[Measure Your Investment Portfolio Diversification](#)

Whenever you invest in multiple mutual funds, ETFs, and individual securities, you may wonder how broadly and appropriately diversified your aggregate personal portfolio might be. Do the investment funds and individual securities in your accounts provide cost-effective global diversification? Do they just duplicate what you already own? There is a free and easy on-line tool that you can use to measure your portfolio diversification and many other portfolio attributes. This free tool can help you to understand better the relative contribution that each of your investments makes to the sensible goal of holding a very broadly diversified investment portfolio.

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