

Rules for All Seasons

An investor never suffers from an advice drought. A wealth of advice is available via the Internet, TV, magazines and newspapers. Very often, the information available is heavy on market and economic detail, but light on important principles that can make a difference in your portfolio's long-term growth. The rules that follow fall into the important principle category.

Create a Financial Plan and Follow It

What do you want to achieve? How much will it cost? And how much time do you have to achieve it? Answering these questions will help you determine a general plan for the structure of your portfolio.

For example, you may plan to use your investments for your children's education 12 years from now. The long time frame may let you feel comfortable concentrating on equities, which offer superior potential for long-term growth, despite their high short-term volatility. Or, you may want to retire in five years. With the need to start tapping your investments relatively soon, you could decide to emphasize fixed-income and cash investments because their values are generally more stable than equity values.

Diversify and Maintain Your Planned Asset Mix

Investing always involves some degree of risk. To limit your downside risk, follow an investor's most important rule: Diversify your investments broadly *among and within* asset types.* And take care to avoid overlaps if you own a basket of funds.

After you initially plan your asset mix – or allocation – you will need to make occasional adjustments as your situation or investment conditions change. The market values of your investments will shift over time, which can alter your

portfolio's proportions. Periodic portfolio rebalancing is essential if you want to maintain your planned asset mix.

Think Long Term

Focusing on short-term market volatility and reacting to it is speculating – not investing. The stock and bond markets have a long history of gains over long holding periods.** To take advantage of that upward trend, your portfolio needs time. Stay alert to investment developments, but be wary of market timing behavior, such as moving into or out of an asset class or fund as you follow performance news. Keep in mind that even professional investors – with all their resources and experience – find it very difficult to achieve consistent success at timing market changes.

Avoid Emotional Buying and Selling

Basing your investment decisions on feelings is a formula for buying high and selling low. Because admitting failure is never a pleasant experience, your emotions may tell you to hold on when it is time to sell an investment that has taken a serious wrong turn. Similarly, an emotional focus on not being left out may convince you to buy at a high price as if a growth trend has no end. Making fact-based investment decisions is not always easy, but it is essential for long-term investment success.

Get Expert Help

Creating an appropriate investment plan and selecting funds and/or individual securities to carry it out is not easy. For most individuals, working with the assistance of skilled investment professionals is the most advantageous way to invest. Bay Trust Company has a reputation within our community as a reliable resource for investment services. Please call us if you want to discuss your portfolio. We would be happy to help you achieve your financial goals.



J.B. "Jay" Wallin
President
Bay Trust Company



Kilmarnock Office
(804) 435-4137

Toll-free 1-888-266-6880
www.baytrust.com

* Diversification cannot guarantee a profit or protect against loss in a declining market.

** Past performance is not a guarantee of future results.

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