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# Safer Strategies for the Small Investor

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Basic suggestions for low risk investing:

- Keep part of your funds in short-term forms of savings. For example, 6-month bank certificates based on U.S. Treasury bills rate; money market funds, 6-month U.S. Treasury bills.
- Divide the rest of your funds 60/40. For example, 60 percent bonds, 40 percent stocks.
- Buy bond and stock funds (rather than individual issues) to give you the protection of diversity. For example, closed-end, publicly-traded investment trusts; no-load mutual funds. Consider different types with different objectives. Buy several diversified funds and keep them for several years —it usually costs you money to shift from one fund to another. Check the August issue of *Forbes* magazine for ratings of all funds.

During serious inflation, consider shifting investments to protect against purchasing power loss:

- Consider investing more in the short-term forms of savings listed above. Their interest rates rise to reflect inflation.
- Consider investing in single family homes, duplexes, or small apartment buildings. (However, real estate is more often a risky investment, and variable interest rate mortgages reduce the chance of large profits.) For example, your own home, a vacation home, or a condominium. Purchase one in a middle price range, a growing area, a good neighborhood, and in an area that you know.
- Consider putting a larger percent of your funds in a mutual fund specializing in "blue chip" growth stocks (for long-run investments).

Keep your expectations of investment return reasonable: 20 or 30 percent a year is *not* reasonable. With stock funds, be satisfied if they do as well as the stock market. The return on most bond funds will usually be lower than the total return (dividends plus price increase) of stocks.

Remember, you need to reinvest the dividends or interest (or other investment earnings), not spend them, if you are to maintain the purchasing power of your investments. If the inflation rate is 10 percent, you need to reinvest enough of your investment earnings to equal 10 percent of your total investments.

Prepared by Charlotte T. Harter, Extension economics education specialist and director of the Center for Economic Education, Oregon State University.

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