

INVESTMENT TIPS FROM TINSELTOWN

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Can you remember the last time you stayed up late watching a movie when you should have been asleep? You weren't wasting your time. In fact, you may have gained some insights into managing your portfolio. In case you missed them, here are ten kernels of wisdom from Hollywood classics.

10. "SELL CRAZY SOMEPLACE ELSE; WE'RE ALL STOCKED UP HERE."

Jack Nicholson as Melvin Udall in As Good as It Gets (1997)

It's all right to say "no." We have all met people who can't take a hint, and some of those people work in the investment community. No one likes to be rude, but it's your money and future: Sometimes you just need to say "no."

9. "THAT'S 30 MINUTES AWAY. I'LL BE THERE IN 10."

Harvey Keitel as "The Wolf" in Pulp Fiction (1994)

Make sure that the level of risk in your portfolio makes sense for you. The Wolf takes untold risks in his driving and survives, but don't forget that it was just a movie. Don't be blinded by promises of unusually high returns; they generally come with unusually high levels of risk.

8. "BACK OFF MAN. I'M A SCIENTIST."

Bill Murray as Peter Venkman in Ghostbusters (1984)

Check out those claims of expertise. Before engaging a financial services provider, you should research that individual's background, qualifications, and disciplinary history. FINRA in the U.S. and IIROC in Canada are regulatory authorities who offer free tools for consumer use. BrokerCheck and AdvisorReport, respectively, will allow you to determine the regulatory status of firms and individuals.

7. "NEVER TELL ME THE ODDS."

Harrison Ford as Han Solo in The Empire Strikes Back (1980)

Be sure your financial professionals can explain the potential downside of your financial plan. If you trust your advisers, you may be tempted to leave your affairs solely in their hands. Resist that temptation. Managing your financial life is your responsibility. Educate yourself about the historical performance of various investments ("asset classes" in investment jargon) and reflect on how the past may or may not help you understand the future. Don't be afraid to draw on the experience and insights of your adviser. That is what you pay for.

6. "SOME OF YOU MAY DIE, BUT THAT IS A SACRIFICE I AM WILLING TO MAKE."

John Lithgow as Lord Farquaad in Shrek (2001)

Understand motivations. Salespeople don't need to offer a product that best addresses your needs. No credential is as widely regarded in the global financial industry for its rigorous focus on current investment knowledge, analytical skill, and ethical standards as the Chartered Financial Analyst (CFA) designation. You can locate a Chartered Financial Analyst who advises private clients at www.cfainstitute.org/about/investor.

5. "OCEAN BREEZE SOAP: IT'S JUST LIKE TAKING AN OCEAN CRUISE, ONLY THERE'S NO BOAT AND YOU DON'T ACTUALLY GO ANYWHERE."

Dave Goelz as "Bill the Frog" in The Muppets Take Manhattan (1984)

Titles can be misleading. In the recent financial crisis, one of the first hedge funds to fail was called a "high-grade structured credit fund." Just as Ocean Breeze Soap doesn't take you anywhere, this fund was not high grade in any real sense. It's important to review investment materials carefully rather than relying on a name.

4. "THIS IS A VERY SIMPLE GAME. YOU THROW THE BALL, YOU CATCH THE BALL, YOU HIT THE BALL. SOMETIMES YOU WIN, SOMETIMES YOU LOSE, SOMETIMES IT RAINS."

Tim Robbins as Ebby Calvin LaLoosh in Bull Durham (1988)

No investment succeeds all the time or under all conditions.

Diversification is key, but it should not be mistaken for insurance. During acute market stress, the prices of most securities will suffer. Understand your tolerance for risk, and plan accordingly.

3. "I'M SHOCKED, SHOCKED TO FIND THAT GAMBLING IS GOING ON IN HERE!"

Claude Rains as Captain Renault in Casablanca (1942)

Know what's in your portfolio. Hiring a professional can be a great step, but you still need to understand your goals and portfolio, and update both over time. It is your money and your future.

2. "LEAVE THE GUN. TAKE THE CANNOLI."

Richard S. Castellano as Peter Clemenza in The Godfather (1972)

Know the difference between what you need and what you'd like.

Place an appropriate weight on each goal, and plan your portfolio accordingly. You will find that how you build and manage your portfolio will vary based on how much flexibility you have in meeting your financial obligations. If you are close to the edge, you may choose to invest very conservatively. But recall that inflation and taxes can undermine otherwise conservative investments, such as certificates of deposit and savings accounts.

1. "WHAT WE'VE GOT HERE IS A FAILURE TO COMMUNICATE."

Strother Martin as Captain, Road Prison 36, in Cool Hand Luke (1967)

Communicate your plan clearly. An Investment Policy Statement (IPS) will make concrete the goals and tools you and your adviser have discussed. Until you see it on paper, you may not fully absorb your adviser's recommended approach. For more info on investment policy statements, visit www.trustcfa.org.

For more information, please consult <http://www.cfainstitute.org/about/investor/>

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