

Getting Started, Building A Share Portfolio: The Asset Allocation Model Approach

Its a topic we have talked about last January (Getting the right mix) when we showed you some typical asset allocation approaches, but here we take you a bit further, by mapping out the role different types of investments can play. Before starting to invest you will already have considered whether paying-off or reducing debts is a better use of available cash. And you will have set aside a suitable cash reserve to cover for unexpected expenditure its generally accepted that a minimum of 3 months income is a sensible reserve. Then it is a case of deciding what level of risk you can take, in order to achieve your aims. Thats often easier said than done, for its rarely black or white, but a question of trade-offs. To help you, we have developed three risk profiles Cautious, Medium and Adventurous, which seek to describe the approach to risk that investors with each of these investment personalities might take. Of course, its well accepted that the higher the return you want, the higher the level of risk youll have to take: its unrealistic to expect your capital to grow by, say, 20% per annum from a low-risk investment. Equally though, that doesnt mean putting all your money into higher risk investments its more a case of using different types of investments to create the right balance, and achieve the overall level of risk that you are comfortable with. So we have focused on three core types of investments EFTs, Funds and Shares and developed a way of assessing the part each could play in the overall makeup of your portfolio. Why these three? Each has the benefit of offering a range of risk levels, a variety of different options within that asset type, and the flexibility to be used in different ways by different investors. Which types of investments you use, and in what proportion relative to your overall assets, depends on other factors too. Some of the factors you would want to consider are: how much money you have to invest (either lump sums or as a regular amount); what investments you have already; your knowledge and experience of investing, and the time you have available to manage your investments. If you are unsure, dont panic buy or rush into buying shares randomly. It is always recommended to research potential investments thoroughly. Knowing a companies financial performance over the last three years should give you a sound understanding, allowing you to make an informed decision whether or not they are a suitable investment for you. Remember every investor is individual and because someone has tipped you about an up and coming company set to boom, doesnt necessarily mean you should blindly invest. Having a successful portfolio of shares is a tremendous achievement, definitely worth discussing with colleagues, friends, family and anyone interested. In conclusion if you are just starting out or thinking of investing in stocks remember, always do the research, dont be afraid to ask for advice and opinions, and bear in mind the following... 1. Different types of equity based investments ETFs, Funds and Shares can all play a part in your overall investment mix. 2. Look at your requirements across two axes: risk and inputs the amount of time knowledge and experience you can bring to bear. 3. Speak with our Advice Team to build your own, personal model and for specific recommendations.

About the Author

The Share Centre offer information and advice on shares and share dealing. Learn about the stock market, research shares and deal shares online. <http://www.share.com>

Source: <http://americanahost.com>