www.aquilafunds.com

Thought For the Month

"Asset Allocation and Diversification"

We believe the most prudent way for a person to invest is to focus on your goals, your time frame for achieving them, and your tolerance for risk. Armed with this information, your financial adviser can hopefully help you come up with an asset allocation model. This model will help you to outline how to diversify your investments in order to best achieve your goals.

In general, the longer you have to achieve your goals – retirement, new home, childrens' college education - the more willing you probably will be to choose an investment possessing a higher level of risk in the hopes of achieving a higher return. Then, as most people get closer to achieving their goals, they are more likely to shift their investments to a more stable choice. For many people, this means shifting liquid assets from stocks into bonds.

Looking at retirement as a goal, a typical allocation model finds a young investor with 80% of his/her money invested in stocks and 20% in bonds. As the investor approaches his/her goal of retirement, assets are slowly moved from stocks into bonds until the model reverses itself with 20% in stocks and 80% in bonds. This would be a more stable investment model. Further, in no instance, are all your eggs in one basket.

As one reaches retirement age, there generally is a tendency to preserve what you have as opposed to taking chances which can deplete your overall assets. Your financial adviser should be able to help you determine what portion of your available money should be earmarked for which type of investment. Once this mixture is set, it is important to recheck on a periodic basis with your financial adviser. It is also important to periodically reevaluate your goals to make certain that your current asset allocation model is still appropriate for you.

Aquila Distributors, Inc. – 3/04