Simplify Your Investment Plan with this "Bucket List"

Financial planning consists of two parts – the fun part, and the challenging part. It's fun to lay out your hopes and dreams for the future. It's challenging to select the right investments to achieve those goals. The process can be confusing even if you work with a financial planner.

What should you include in your mix? Stocks? Bonds? Cash? How should you divide your savings among these options? Over the past 80 years, stocks have provided an average annual return over 9% (S&P 500). Bonds have returned a little over 5% (Treasury Bonds), while cash held in money markets, savings accounts, T-bills and similar instruments returned 3.5%.

But over the past 10 years, returns have been anything but "historic." In fact, they have nearly flipped over. Stocks have lost about 1% annually and bonds have gained about 6.5% a year! If you're building an investment strategy for the next 10 years, how do you even begin to start making decisions?

Consider using what I call the "Bucket Approach." This system takes the very complex world of investing and simplifies it tremendously by helping you visualize your investments as money dropped into one of three easy-to-understand "buckets."

Cash Bucket – This is the money you invest in FDIC insured accounts. The principal is 100% secure but earns very little interest – currently about 1%. This money is your most stable and liquid asset. It includes your emergency fund and any extra cash you may need in the next year or two.

Income Bucket – Contributions to this bucket are invested in various types of bonds – treasury, corporate, municipal, high yield, tips, international, and floating rate. They will provide you with income in retirement. A well-diversified bond portfolio should protect your principal as well. Diversification of this bucket is especially important in maximizing your return in these turbulent times. As a rule of thumb, moderately-conservative to conservative investors should "Own Your Age in Bonds." If you are 50-years-old, for example, you should have 50% of your portfolio in bonds. At CIA, we focus on this income bucket first for retirees to determine how much real CASH FLOW they need to fund their retirement and fill this bucket with the appropriate assets to accomplish this income goal.

Growth Bucket – This is the money you have invested in stocks. Your decisions in this area will depend, in part, on your stage of life. If you are in the "accumulation stage" – 25 to 55 and still working – you should consider owning some growth stocks – shares in companies that have tremendous growth rates but usually don't pay much of a dividend. Their focus is on capital appreciation through growth. On the other hand, retirees may want to focus more on dividend-paying stocks. These are companies that aim to give you some capital appreciation and pay you a nice dividend along the way. Dividends accounted for 44% of the total return of the S&P 500 over the last 80 years – part of the reason I'm such a huge believer in income investing!

Overall, try thinking about your current investments using the "Bucket Approach." I think you will find it provides an antidote to the seeming c-omplexities of investing and a simplified investment plan to get you to retirement – and keep you there!

Certified financial planner "http://wesmoss.com/"
Wes Moss is the Chief Investment Strategist at Capital Investment Advisors and host of "Money Matters" on Atlanta's WSB radio. To reach Wes, visit "http://www.YourWealth.com" www.YourWealth.com or call 404-531-0018 to schedule a meeting with one of CIA's expert financial advisors.

CAPITAL INVESTMENT *Advisors*

Live Retirement Worry-Free.

You've spent years saving for retirement. Make sure you get the most out of it. At Capital Investment Advisors (CIA), we specialize in **generating income** for our clients while never losing sight of the need for capital preservation.

Catch our radio show **"Money Matters"** every Sunday at 9:00 a.m.
on AM 750 and 95.5 FM News/Talk WSB Radio.
Follow us on **Twitter** at twitter.com/yourwealth and **Facebook**
(name: Capital Investment Advisors) for more investment tips and news.

Capital Investment Advisors LLC | 200 Sandy Springs Place, Suite 300 | Atlanta, GA 30328
Tel: 404-531-0018 | Toll-Free: 888-531-0018 | Fax: 404-531-0010 | www.yourwealth.com