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## Your Portfolio at Risk—You Don't Have to Work for Bear Stearns

BY DENNIS C. ROGINSKI

It saddens me when investors lose most of their retirement money in a matter of days, money they've been saving for years. On March 13th of this year, Bears Stearns' stock closed at \$57 per share. Just two trading days later the stock closed at \$4.81. With the near collapse of Bear Stearns an article appeared in *The Wall Street Journal* about two Bear Stearns employees, one lost \$400,000 and the other \$600,000.

Although these overnight near collapses don't happen often, your retirement portfolio could be at risk, even if your company isn't on the verge of collapsing.

One of the basic tenants of investing is the risk/reward relationship.

This simply means the more risk you take, the more you should be rewarded. Your reward for high risk should be high total return, but not always. Because the two Bear Stearns employees had all of their retirement money in one stock, (all their eggs in one basket, as the cliché goes) their risk was high. Maybe they didn't realize the risk they were taking. After all, what could possibly happen to Bear Stearns, one of the largest investment banks in the county?

Just a glance at this year's financial news reveals poor stock market performance. Very few stocks have had positive returns, and financial stocks have been hit hard. If

your stock decreased in price by 30%, it will need a 42% return to get you back to where you started—a great return for any investment. Some stocks have decreased over 70% in value from their 52-week high. These stocks will need to generate around a 250% return to get back to their 52-week high. For example, if you owned a stock that was trading at \$45 per share, and now is trading at \$13 per share, it would need to gain \$32 to get back to its \$45 share price, a 246% returns (\$32 divided by \$13). This example is of an actual company but it doesn't show characteristics of a Bear Stearns-like collapse. If employees have all their retirement money in this stock, a good por-

tion of it has been lost. I hope the stock recovers.

Risk is difficult to control, but some risk can be reduced. If you have an aversion to risk, and "all your eggs are in one basket," think about reducing the investment in your company stock to 20% of your retirement portfolio. We hope it doesn't happen, but even if your company declares bankruptcy, you won't lose your entire life savings. If the two Bear Stearns employees would have had only 20% of their portfolio in Bear Stearns stock, they would have lost about \$80,000 and \$120,000 respectively. No small amount, but better than their entire life savings.

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