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If You're an Investor, Stay Clear of the Short-Term Mentality

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Did you hope to make fast money when you bought gold, a gold stock, or a mutual fund that invests in gold when gold was trading above \$1,000? If you did, it didn't take you long to lose 15% now that gold is trading in the mid \$800 range. You are probably not the only one who lost a quick 15%. For every investment, including gold, there is always a buyer and a seller, no matter what the price. If you bought near its peak and you are holding gold for the long term and you didn't invest a large percentage of your funds in gold, you might be okay. Here's why. First, if you've ever had a basic lesson in asset allocation, you know not to invest a

great deal of your funds into one asset class. Not all risk can be controlled, but some risk can be reduced by diversifying. That means spreading your funds across different asset classes such as large-cap growth stocks, small-cap value stocks, gold stocks, and other asset classes based on your risk tolerance.

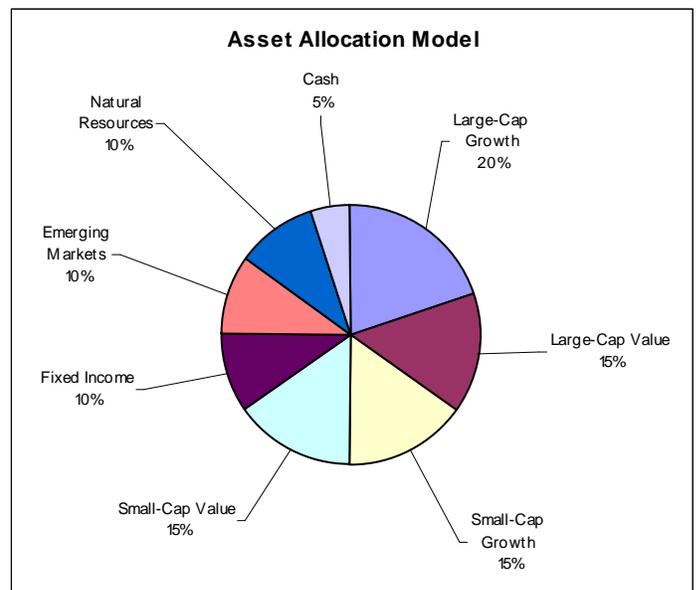
Second, gold is a natural resource. There is only so much in the earth. With rising demand for most natural resources and commodities, supplies are bound to decrease. When demand increases and supplies decrease, prices normally rise. As China becomes more developed, along with other emerging mar-

ket countries, prices of natural resources and other commodities should rise, making gold a potentially good investment.

Third, gold prices will fluctuate in the short term. But based on long-term investing, with less concern over short-term volatility, prices should continue to climb over a longer

period, i.e., keep your focus long term.

The sample portfolio below shows an asset allocation model based on multiple asset classes. This is not a recommendation to buy securities but only an illustration to demonstrate how asset classes are used to diversify a portfolio.



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