

the road to success

by **Bob Fragasso**



What do you see when you look down the road toward the future? A farmhouse in Tuscany? A villa overlooking the Mediterranean sea? Perhaps it's your children graduating from college. The new business you'll own. Or the financial freedom to travel whenever you please. Whatever you dream of is your definition of success, and while those dreams may be different for each of us, we all share the desire to make them come true.

Each of us has different life goals, different dreams, but the principles that will help us achieve them are the same. It's interesting to note that the majority of us are never taught these immutable truths in school. But they do exist, and this column is about teaching you the principles of goal attainment you may have missed.

Here's a simple example: Time and tax burden shifting are two textbook principles that may enable you to educate your children or grandchildren for only pennies on the dollar. Here's another: It's difficult to retire comfortably when you settle for a low, guaranteed rate of return on your assets. Taxes and compounding inflation will eat away at your financial security. But small amounts of money, applied consistently and in keeping with time-tested principles will provide you with the most reliable way of reaching your goals.

Here's how this column will work. We'll offer you those time-tested methods for reaching your objectives. We'll spell out the pitfalls you might encounter along the way. We'll even answer your individual questions because helping you see what works and what doesn't is best explained in terms of real life situations. So, begin sending your questions, by mail or by e-mail. We can't guarantee that we'll always be able to answer each and every one of them in this column, but we'll be happy to mail or e-mail an individual response to every question you submit.

In this issue, we'll begin by answering a question I was recently asked by the owner and publisher of *Primo*, "How can I insulate my portfolio from the effects of corporate wrongdoing?"

The solution is simple. You can't predict when Parmalat or Enron or any other company may do something that will hurt your portfolio's value. Companies rarely announce wrong doing to their shareholders, even to their institutional shareholders, in advance.

But you can avoid the negative impact of corporate greed by employing a single, simple, yet powerful textbook principle known as diversification. If Parmalat or Enron or Worldcom make up only 1% of your portfolio you're less likely to feel the impact of unethical business practices. But if your portfolio is made up of 20%-40% of a single stock, your future financial security may be in jeopardy. Case in point: in the late 1990s people were overloading their portfolios with technology stocks and when the bottom fell out, they lost.

Diversification works with industry sectors in the same beneficial way it works with individual companies. Consider that almost every finance textbook has a chapter on diversification but not a single chapter on dumb luck!

In every upcoming issue of *Primo* we'll offer you practical, time-tested methods that may lead you down the road to that Tuscan farmhouse or the villa overlooking the sea. Come along for the ride. We promise to teach you what our experts know, and, hopefully, what you learn will be very, very profitable.

Robert Fragasso is the President and Founder of The Fragasso Group. The Fragasso Group is a Pittsburgh-based financial planning firm that specializes in wealth management, retirement planning, college expense planning, insurance services, employer plans and estate planning. For more than three decades, The Fragasso Group has served individuals and corporations as an independent investment advisory firm. The Fragasso Group manages more than \$400 million in assets for more than 1,500 households, corporations and retirement plans.

Send your questions to Robert Fragasso at robert_fragasso@fragassogroup.com or mail to him at The Fragasso Group, Inc., 436 7th Ave., Suite 300, Pittsburgh, PA 15219-1818. All questions will be answered.