

# MANAGING YOUR MONEY



## Building A Nest Egg That Won't Crack

by John Buckingham

(NAPSA)—Whether stocks are up or down, the market always presents opportunity for investors.

The key is to develop a sound strategy and stick to it. Not only will that help you weather most any market storm, it can help you grow your nest egg regardless of the economic forecast. Try these tips:



Buckingham

- **Turn Time Into Money**—Compounding describes the process of letting

time work for you to build wealth slowly. You do not need to get rich quick, as even modest annual returns add up over the long term. Consider this: The firm Ibbotson Associates calculated a return of 10.4 percent for large-cap stocks since 1926. That means money invested in those stocks would double every seven years. That may not sound exciting, but after 14 years, the original investment would have quadrupled and after 21 years, it would have grown eightfold! With the miracle of compounding, time truly is on your side.

- **Understand Dividends**—The dividends that a stock pays provide valuable information. Strong dividends indicate that a company's leadership is committed to providing a tangible return to its shareholders. Dividends can also be a sign of a stable investment that can survive a volatile market. For instance, since the end of March 2000 through mid-2004, when the market went south, nondividend payers lost 18.2 percent. Large-cap dividend



**Learning about dividends and compound interest can help you create a portfolio to bank on.**

payers as a group lost only 1 percent annually. Of course, a generous dividend yield is nice, but companies that also trade for low multiples of book value, sales and earnings are even more attractive!

- **Be Confident, Not Emotional**—Listening to stock market news can be harrowing. You can be bombarded with get-rich-quick advice or doomsday prophecies that could make you rethink your investment strategy. While it is good to stay on top of market trends, it is important to make decisions based on solid information, not emotion. In fact, history has shown that unemotional investing is the recipe for success. Try to stay disciplined and hold on to a broadly diversified portfolio of undervalued stocks.

*John Buckingham is president, chief portfolio manager and director of research for Al Frank Asset Management, as well as editor of "The Prudent Speculator" newsletter. To learn more, call 1-888-994-6827 or visit the Web site at [www.alfrank.com](http://www.alfrank.com).*