

## [ INVESTMENT STRATEGIES ]

## MIDYEAR MONEY MOVES

Sometimes staying ahead of the market means sticking with a proven investment plan

When the Federal Reserve raises interest rates to slow economic growth and keep inflation at bay, Wall Street gets jittery. But for individual investors keeping close tabs on their portfolios, patience may translate into solid returns. That's the thinking of experts like Kyle Farmer, a financial services professional at insurance giant New York Life in Columbia, Maryland. "Whether it's high oil prices or high interest rates, you want to stay the course."

Even as interest rates and energy prices continue to rise, Farmer maintains that investment decisions shouldn't focus on the frenzied highs and lows of market indicators or signs of inflation. And trying to time the market is a losing proposition. "Even experts have difficulties timing the market," he says. "You don't want to jump just because everyone else is."

Experts maintain that in today's environment the best money moves require discipline and commitment. Using a team of financial experts, plot an investment strategy based on short- and long-term financial goals and risk-tolerance level and stick to it. But, your investment portfolio is only one part of the equation. As you fine-tune your finances midyear, you should pay attention to those vehicles that will not only provide solid returns but protect income streams as well. By all means, stay focused. "People shouldn't act on emotion," says Farmer. "You have to be in it for the long haul."

## INVESTING WITH FOCUS

Curtis K. Robert, a credit repair and debt elimination specialist, has been following Farmer's advice through his investment activities with Team Works Worldwide Investment Group, a Silver Spring, Maryland-based investment club focused on real estate. Since joining TWIG two years ago, Robert has watched the outfit grow to 150 members.

At the beginning of the year, TWIG targeted condo conversions throughout Washington, D.C.; Atlanta; and Florida as an investment. Since the group has more than \$15 million in assets, it has been somewhat indifferent to the Federal Reserve's recent interest rate hikes. "When you have a [large] group of people, you have more buying power," he says.

Instead of changing its investment philosophy, TWIG stuck to its guns, teaching its members how to use proven methods to invest in good opportunities. "A lot of people say they want to be rich, but that can be fleeting," says Robert. "We want to teach people how to build wealth with passive income on a long-term basis."

## BUILDING BLOCKS TO WEALTH

Fred Wilson, regional vice president at financial services firm Primerica in Randallstown, Maryland, agrees. He makes his clients chart financial goals in five-year blocks, having them



ROBERT DOESN'T LET INFLATION FEARS SWAY HIS INVESTMENT DECISIONS.

assess debt, income protection, and investments. He maintains that although corporate America has most investors fixed on high interest rates, he's more concerned about debt overload. **"The biggest mistake people make is not getting rid of debt," Wilson says. "We like to encourage people to get on a debt snowball, where you pay off one debt and then jump on to the next debt and pay that off too."**

As the year reaches its midpoint, Wilson says it is a good time to reevaluate goals and determine if current strategies are working. For instance, he urges future home buyers to open money market accounts or low-risk mutual funds to save for the purchase. Save a consistent amount monthly based on your original financial plan and purchase time horizon.

For parents concerned about college tuition, Wilson suggests opening a state-sponsored 529 savings plan that allows families to save tax-free dollars. It works like the Coverdell Education Savings Account, formerly the Education IRA. Under this plan, sav-

[Cont'd from page 52]

ings are tax-free until the account is debited to pay for qualified expenses.

Wilson also recommends taking stock of life insurance policies and income protection. For example, an individual earning \$30,000 should be insured for \$300,000—10 times his or her income. "We really need to educate people on different things that are available to them, so they can pick what's best and do what they need to do," says Wilson.

### TWEAKING YOUR INVESTMENT STRATEGY

For investors looking to tweak their plans midyear for the promise of fourth-quarter gains, Steve Washington, managing director of Cleveland-based SBK-Brooks Investment Corp. (No. 8 on the **BE INVESTMENT BANKS** list with \$11.9 billion in total managed issues) and one of the founders of The Black Wealth Network, says energy-related companies should be a prime investment target. But he cautions investors to be choosy. "We like energy," Washington maintains. "The only reason I'd be reluctant to say it's a favorable sector is the 18-month run-up in energy stock, which forces you to be a little more selective."

He recommends that investors focus on individual names that create value based on their business model. And he's especially optimistic about companies in the oil-refining business.

In the aftermath of Hurricane Katrina, about 20% of the nation's oil-refining capacity was crippled, causing a surge in gas prices. Today, with spikes at the pump caused by increased foreign demand, getting more oil refining capacity online has become a key issue in stabilizing energy costs. "There is value for those companies that are accelerating their investment in [refinery] infrastructure," he says.

Washington also believes the Federal Reserve may put the breaks on interest rate hikes as the economy begins to pick up steam in the second half of the year. He anticipates that no action may be taken at the next scheduled meeting in August. And if there's a pause in rate hikes, Washington says interest-sensitive stocks such as banks, brokerages, and insurance companies should benefit. Investing in those types of firms might make sense as well.

—Marc Hopkins

## GETTING PROFESSIONAL HELP TO REACH YOUR GOALS

■ Steve Washington, managing director of SBK-Brooks Investment Corp., stresses that investors should consult their financial planner to assess the risk involved and how the new investments fit into an overall strategy before they make any major moves. "We have found that, especially among African Americans, many people don't have access to a planner," Washington says. And in many cases, since the amount of assets they have under management dictates how much access they really have to their broker, "a lot of self-education is necessary."

■ Not sure what to do? As a start, visit The Black Wealth Network Web page at [www.bwnonline.com](http://www.bwnonline.com). The site offers a primer on investment options, and if guidance is needed, Washington says investors can reach a real person to answer their queries by calling 877-728-3359.

■ If your investment choices have yielded a mix of thoroughbreds and nags, think carefully before unloading any losers to offset capital gains. "Whatever your sell discipline, you should stick to it," says Washington. "Selling stock just to offset capital gains can be a mistake, depending on why you bought the stock and what your investment objectives are." Reevaluate the loss limit you originally set for each stock and determine its prospects for recovery before selling.



[ MONEY MATTERS ]

### FINANCING RENTAL PROPERTY

**Q** I am a 33-year-old female seeking to increase my wealth through real estate investing. I have great credit but little money to put down. I do not want to take money out of my current home. I read an article where a person received 100% financing for an investment property through a first-time investor program. Where can I find these types of programs or loans?

—L. Smalls  
Via the Internet

Obtaining 100% financing for investment properties is not easy, because lenders see such loans as risky. In fact, since it is considered a commercial purchase, many lenders insist on 20% to 30% down and significant cash reserves for investment property loans. And the credit score requirements are generally higher as well—680 and above. Each lender has different criteria for investment property loans.

You can obtain 100% financing for a one- to four- unit rental property from most lenders but not as a straight investment property. You would qualify under conventional owner-occupied provisions, whereby you agree to live in the building for a set period of time in exchange for a more favorable loan agreement. In some cases, you'll receive an 80/20 loan, which requires a first and second mortgage loan as a way of avoiding the cost of private mortgage insurance (The first loan covers 80% of the total amount financed and the second mortgage the other 20%).

—Matthew S. Scott

Mail your money management questions to Ask B.E., BLACK ENTERPRISE 130 Fifth Ave., New York, NY 10011 or send an e-mail to [scottm@blackenterprise.com](mailto:scottm@blackenterprise.com).