

Is Growth All There Is?

Q. My husband and I are in our forties. We own tech and healthcare sector funds, as well as other growth funds. Where else should we invest?

—LEIN BAILEY
Delray Beach, Florida

A. With a portfolio consisting entirely of growth investments, you're in for a heart-thumping roller-coaster ride, says Wayne von Borstel, a financial planner in The Dalles, Oregon. The solution: Diversify into other areas of the stock market—and into bonds. Even with a high risk tolerance and 15 to 20 years until retirement, counsels von Borstel, there is no need for a portfolio that's likely to be extremely volatile. That's what you have now, even if you don't realize it. So the right move is to diversify into asset classes that are likely to zig when your growth funds zag.

First, try investing in small- and large-cap value stocks. Von Borstel likes the **State Street Research Aurora** fund (800-882-0052, 6.1% load, 1.4% expense ratio) for small-cap exposure and **Selected American Shares** (800-243-1575, no load, 0.92% expense ratio) as a large-cap value choice. Next, don't ignore international stocks. Although you take on political and currency risk in this area, the rest of the world's markets sport some great values. **Putnam International Growth** (800-225-

1581, 6.1% load, 1.13% expense ratio), which has trounced its peers over the past three, five, and 10 years, is von Borstel's choice. Finally, bet on bonds. It may sound boring, but allocating a small portion of your portfolio to the bond market—much of which rises when stocks fall, and vice versa—will even out the gyrations in your portfolio's returns. Von Borstel recommends **Pimco Total Return** (888-877-4626, 4.7% load, 0.90% expense ratio), which has outperformed 97% of rivals in the past five years. Bond guru Bill Gross devotes roughly half the fund to U.S. government bonds (Treasuries, GNMA's, etc.), the rest to medium-quality corporate bonds and foreign debt.

THE EXPERT

WAYNE VON
BORSTEL, CFP

► Retirement and estate planning; manages \$30 million in assets. The Dalles, OR, 541-296-6669