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## Investment strategies the way to go

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Participants in the equities markets include some of the most brilliant minds and some of the deepest pockets on Earth.

In America, more than 500 million shares of stock are traded every day. Simultaneously, each investor is trying to get an edge over every other investor. Mutual fund managers are wrestling with stockbrokers; institutional money managers are clashing with professional day-traders; and you and I are right there in the middle of the fight. With so many players constantly jockeying for position, it's not easy to identify investment opportunities.

Today, the majority of American investors use some sort of strategic asset allocation as a way of managing their investments. Strategic asset allocation is generally passive. In this approach investors are expecting fundamentals — namely earnings and economic factors — to drive prices up in the long run.

Typically, passive investors use strategic asset allocation to diversify their investments, spreading them out among several asset classes such as mutual funds, bonds, and cash or money markets. Once every year or so they check their portfolio allocations to make sure they are still diversified.

A smaller percentage of Americans uses tactical asset allocation to manage their assets. These investors have a more flexible approach that buys and sells stocks and mutual funds based on short-term measures of risk and return.

This plan employs tactical strategies to generate smoother returns over the short to medium term. Generally, investors who employ a tactical approach are interested in reducing market risk.

Regardless of an investor's choice of strategies, either one of them is better than blindly following someone else's market forecast.

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