Fresh Ideas for New Investors

The Motley Fool

By Shannon Zimmerman

Wall Street is littered with commonplace financial advice, but if you want to get your career as an investor off to a smart start, you should consider going against, um, the flow of that traffic. (Just sticking with the metaphor, folks!) To help you step on the gas, consider these three suggestions:

1. Investing isn't an either/or proposition.

For all too many folks, investing is a zero-sum game. Truth is, though, depending on your timeline and tolerance for risk, all of the market's major asset classes - from the raciest growth stocks to buttoned-down fixed-income vehicles - can have a role to play in your portfolio. Spreading your bets around, after all, can help take the sting out of market downturns.

Example: Between March 2000 and December 2002, the Russell 1000 Growth benchmark - an index that counts **Intel** (Nasdaq: INTC), **Google** (Nasdaq: GOOG), and **Apple** (Nasdaq: AAPL) among its top holdings - fell by some 24.8% on an annualized basis. Meanwhile, the Russell 1000 Value bogey, which specializes in cheaper big boys like **ExxonMobil** (NYSE: XOM), **Citigroup** (NYSE: C), and **Bank of America** (NYSE: BAC) - shed just 1.7%.

Moral of the story: Don't go whole hog. Tilt in the direction of your investing temperament, but err on the side of a diversified portfolio. Speaking of which ...

2. Funds and stocks can live peacefully - and profitably - in the same portfolio.

To my way of thinking, a solid portfolio begins with world-class mutual funds. And while you can always opt for an index tracker like **Vanguard 500 Index** (FUND: VFINX), remember that, with index funds, you're destined to lose to the market each year by about the amount of your expenses. One solution is to mix index picks with actively managed keepers - funds that allow you to invest outside your area of expertise and across the market's various cap ranges with managers who have proven over time that they can deliver the goods.

The bottom line: Once your fund portfolio is in place, you'll be in good position to go about the business of researching individual stocks and, if they strike the right profile, investing in them as well.

3. Stay current.

From truisms like "buy low, sell high" to "let your winners run," investment chestnuts are plentiful. Executing on those chestnuts (possible?) is one challenge; staying abreast of the investing landscape

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is another. Time-tested advice is great in the abstract, after all, but you still have to put it to use in real time.

When it comes to doing that, a helping hand can be, well, helpful. That's particularly true for folks who are just starting out. At the beginning of an investing career, the market can look like an obstacle course, a daunting prospect that may prevent you from even getting started down the path to financial independence.

The bottom line: Not to worry. Smart investing is easier than you think, and we launched *Motley Fool Green Light* last year in part to help newbie investors - and those playing catch up - get up to speed fast. Over the past year, we've covered everything from smart ways to play investment defense to how to take advantage of an area of the market that, in relative terms, looks like a veritable bargain bin. In the current issue, we outline a four-step plan for making your first investment.

If you'd like to sneak a peek at our service, you can do so - for free - by clicking right here. There's no obligation to subscribe, so give us a whirl and be sure to let us know what you think on our members-only boards. Those come gratis with your guest pass, too.

Shannon Zimmerman runs point on the Fool's Champion Funds *newsletter service and co-advises* Motley Fool Green Light *with his pal Dayana Yochim. At the time of publication, he didn't own any of the securities mentioned above. Intel is a* Motley Fool Inside Value *choice. Bank of America is an* Income Investor *pick. You can check out the Fool's strict disclosure policy by clicking right here.*