What is diversification?

Virtually every investment has some type of risk associated with it. The stock market rises and falls. An increase in interest rates can cause a decline in the bond market. No matter what you decide to invest in, risk is something you must consider.

The key to successful investing is managing risk while maintaining the potential for adequate returns on your investments. One of the most effective ways to help manage your investment risk is to diversify. Diversification is an investment strategy aimed at managing risk by spreading your money across a variety of investments such as stocks, bonds, real estate, and cash equivalents.

The main philosophy behind diversification is really quite simple: “Don’t put all your eggs in one basket.” Spreading the risk among a number of different investment categories, as well as over several different industries, can help offset a loss in any one investment.

Likewise, the power of diversification may help smooth your returns over time. As one investment increases, it may offset the decreases in another. This may allow your portfolio to ride out market fluctuations, providing a more steady performance under various economic conditions. By reducing the impact of market ups and downs, diversification can go far in enhancing your comfort level with investing.

Diversification is one of the main reasons why mutual funds are so attractive for both experienced and novice investors. Many non-institutional investors have a limited investment budget and may find it challenging to construct a portfolio that is sufficiently diversified.

For a modest initial investment, you can purchase shares in a diversified portfolio of securities. You have “built-in” diversification. Depending on the objectives of the fund, it may contain a variety of stocks, bonds, and cash vehicles, or a combination of them.

Whether you are investing in mutual funds or are putting together your own combination of stocks, bonds, and other investment vehicles, it is a good idea to keep in mind the importance of diversifying. Diversification does not guarantee against loss; it is a method used to manage investment risk. The value of stocks, bonds, and mutual funds fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost.

Mutual funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional.

Be sure to read the prospectus carefully before deciding whether to invest.

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Wisconsin physician helps Ireland begin cystic fibrosis testing for newborns

Dr. Phil Farrell
neonatologist and pediatric pulmonologist.

“Go back to about 1978, I was working at both a neonatal intensive care unit and a CF center in Madison and I observed how frequently the children referred to my clinic had delayed diagnosis,” said Farrell. “I became convinced that it was impossible to diagnosis CF at an early age without a newborn screening test.”

Farrell learned about the immuno-reactive trypsinogen (IRT) test in the early 1980s and launched a research program to discover the benefits of such a test. The IRT test the blood for a particular enzyme produced by the pancreas. A small drop of blood, usually taken from the foot of a baby, is all that is required. If the baby tests positive, then the child is tested for the mutated gene and will likely be given a sweat test.

“If you wait until there are signs and symptoms of the disease, it may be too late,” said Farrell. “Many children with CF have malnutrition and irreversible lung disease, but through early detection these can be prevented.”

Symptoms of CF normally begin within two months of birth. CF newborn screening allows parents and doctors to catch the disease within a month of birth before real damage has occurred.

“Early detection allows us to prevent malnutrition and provide genetic counseling for parents,” Farrell said.

CF newborn screening in Ireland and the U.S. is catching on. The U.S. will have CF newborn screening in every state by the end of 2009.

“We would not be screening for CF in all states without Dr. Farrell’s leadership,” said Dr. Preston Campbell, executive vice president for medical affairs at the Cystic Fibrosis Foundation. “The same is true for Ireland, where Dr. Farrell is not only moving CF newborn screening forward, but ensuring that it is done in the best possible way.”

Money Matters

By Joe Fox
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