SPECIAL REPORT:

* TESTED IN THE TRENCHES *

The 10 Biggest Financial Oversights Investors Make

1. **Investing in Variable Annuities When Not Suitable.** After reviewing hundreds of investors' portfolios this is the very biggest error I have noticed. Please don't take this the wrong way. For the right person, in the right situation, with the right goals, a low-cost annuity **can be** appropriate. For most people I think it is unnecessary. The annual fees can have a bad effect on the performance of the underlying portfolio. Some annual M&E (mortality and expense) costs combined with the mutual fund fees **plus** administrative fees **plus** additional riders can potentially cost over four percent a year of your total assets! All I can say is "Caveat emptor" (Latin for "let the buyer beware") AND **pay special attention to Oversight #5.**

2. **Not Having Personal Disability Insurance.** According to a recent article in *Money* magazine, you are more than twice as likely to become disabled before age 65 than to die prematurely. Of course, having life insurance is still critically important for your children and other loved ones, too. The article continued on with some very good advice when looking for a disability policy: make sure the coverage lasts until age 65 or older; that it covers inability to do your specific job and not complete disability from any job; and, to lower the cost, have a two to three month waiting time before you would receive your benefits.

3. **Acting on "Hot" Investment Tips.** We have all probably heard and received well-meaning tips and advice from friends or acquaintances regarding finances. You can sometimes get good ideas and insights from these sources. It is good to keep an open mind and get new ideas. But it can be dangerous to your financial health to *act* on these tips without getting qualified advice and conducting your own research and due diligence. You should ask yourself if that person is licensed and registered to give advice about investing and insurance. If they are not, and that is fine, consider their information your start on further research.

4. **Not Preparing a Comprehensive Estate and Financial Plan.** Your life is busy and growing more complex everyday. There is more information packed into the Sunday edition of *The New York Times* newspaper than a person received in their entire life during the fifteenth-century. Your financial life is a reflection of that. You may have many aspects that should be taken care of: children, grandchildren, *great* grandchildren, business equity, cash flow management, retirement, college for your offspring and many other considerations. What you can do is have a complete financial plan drafted up by a qualified financial advisor. You can consult an attorney for a will or trust and other legal documents. And remember to include insurance planning and reviews for total protection.

5. **Not Asking Enough of the Right Questions. When it comes to your money and future there is no unintelligent question. You should be fully informed by your advisor. Some questions to ask regarding investments: *"What are the total annual fees? Are there charges to enter and exit the investment? How much?"* A few questions to ask about your consultant: *"How are you compensated? What is your investment philosophy? What do you invest in?"* You may want to write out these questions and others that are important to you.**

6. **Setting Aside Too Little for Retirement.** Depending on your age, desired retirement income, risk tolerance and many other factors, you should have a clear idea of the number of dollars you need to set aside on a periodic basis to reach your goals. You should talk with an advisor you trust to come up with an adequate amount that accounts

for different scenarios like flat or down investment markets. Then naturally you must put this amount into your retirement account(s). When you do reach your goals you should make sure you are invested in the right asset mix to *maintain* your income.

7. **Investing Only in One Asset Class or Country.** We all have our favorite investments that we are skilled at and interested in. For some it might be real estate or small stocks or international bonds. These all may have their place in your portfolio but we should not limit ourselves to *only one* investment. **This happened disastrously in the late 1990s when most people were mainly in large growth companies.** Then what happened? For three years straight most suffered declines. Many people lost half or more of their principal! Further back in the 1980s a lot of investors were over-weighted in real estate. What resulted? Interest rates went "to the sky" and many real estate fortunes were lost and many bankruptcies were declared. So it is vitally important to fully diversify into several assets, possibly including international investments.

8. **Paying Too Much in Taxes on Their Portfolios.** You are efficient in your life and you need to be with your investments as well. You wouldn't want to overpay on your income taxes and there are several ways to minimize your investment tax bill accordingly. Using tax-deferred and tax-exempt investments whenever possible and appropriate is one idea. You can use company retirement plans with your job; traditional and Roth IRAs (Individual Retirement Accounts); if you are a business owner you have access to many tax-deferred retirement plans like SEP-IRAs, SIMPLE IRAs, "solo" 401Ks and more; tax-exempt municipal bonds and bond funds; low-cost variable and fixed annuities; tax-efficient mutual funds and index funds; low- or no-dividend common stocks; and other tax-smart options.

9. **Not Having Enough Life Insurance.** If you have no heirs or charities to leave money to then you probably don't need much life insurance. If you have a spouse and/or children and grandchildren then you want to seriously consider the right amount of coverage. There are many methods to figure the appropriate dollar amount. One way is to add all of your debt together with your annual income and multiply that amount by five. For example, $75,000 annual income

plus $55,000 debt is $130,000. Now multiply by five and you might consider getting $650,000 in life coverage. This way your debts can be paid and there would be additional funds for future expenses and possible investment income for your beneficiaries.

10. **Relying on Only One Opinion.** If a doctor told you it was necessary to get invasive surgery you might be inclined to get another opinion. In the same way, if a professional advisor gives you a recommendation you should consider a second viewpoint. Although not as important as our health, our wealth definitely deserves the thought of more than one advisor. Ask each one you visit with some of the questions we discussed earlier. Then you can compare the answers and get an idea of which person best fits your goals and investment attitude, furthering you on your financial expedition.

Thank you very much for accepting this free report. I hope this has sparked some ideas and thoughts about your financial future. Also, please recycle this document by passing it along to a family member or friend.

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To order a FREE copy of Ron's first book (retail value of $11.95), entitled Investing To Win, use the contact information below. In it you will discover the "inside" secrets of stockbrokers and financial advisors.

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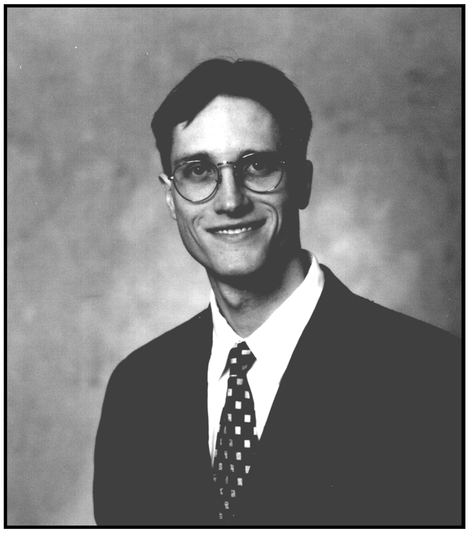

A LITTLE BIT ABOUT RON…

Ron Phillips is an Independent Financial Advisor, author, entrepreneur and a Pueblo, Colorado native. He and his wife are currently raising their three sons in Pueblo.

He has written two books, teaches investment classes, publishes an investment newsletter and loves to inform investors.

If you have questions or comments please feel free to contact:

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