

October 11, 2008

By Peter King

Asset manager's advice: 'Just sit tight'

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Kenneth Kamen

House prices have fallen. Jobs are disappearing. The economy is a mess. Amid this tempest, your portfolio is drowning in red ink. What should you do?

"Just sit tight," says Kenneth Kamen, president of Mercadien Asset Management, a New Jersey-based financial advisory firm. "Right now it's the middle of the storm. The compass needle is spinning all over the place."

Kamen, a Hofstra graduate, recognizes that the stock market turbulence hits retirees and those about to retire extremely hard. He says avoid panic selling, even though the need to "do something" may be overwhelming. Instead, he tells investors to make sure their portfolios are set up to meet their long-term goals and risk tolerance.

"When you get older, it's not about making more money, it's about managing risk," Kamen says. "It's not about having more, it's about not having less."

Kamen urges investors to analyze their holdings. Just because you hold several different mutual funds doesn't mean you have minimized risk. "People own a whole bunch of mutual funds and think they're diversified, but 50 percent of the holdings may be identical," he says.

Many Web sites show which stocks your mutual funds hold, such as Morningstar.com and Yahoo finance. If all of your funds have, say, GE as a holding, you're probably not diversified.

You can also visit companies' Web sites to see which businesses they own and in which sectors they operate. In the case of GE, some investors may have thought the iconic company known for appliances and light bulbs would weather the storm. But one of GE's biggest units is GE Capital, which exposed shareholders to the credit meltdown. "You need to be your own fact checker," Kamen says.

Kamen warns that while the Internet is a great source of facts, it is also a source of misinformation. He says be especially wary of investment chat rooms, where opinions fly unfettered and the truth is often blurred.

The danger is if you already have an inkling of an idea - say, you think the price of gold will go up - and go to a chat room that is filled with gold bulls, your hunch may solidify into a belief. "If you spend an hour in a chat room and only see things that support your opinion, that's a red flag," Kamen says. "Go spend an hour looking for things that refute your opinion."