Another re-post that I thought was timely:

Wall Street's new lie to Main Street – Asset Allocation

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The greatest lie ever told used to be Wall Street telling main street to "buy and hold". Of course thats what they told you every chance they got. It's not what they did. The holding period for stocks dropped from 8 years in 1960s to 2 years in the 1990s and 8 months in the 2000s. Today, stocks are bought and sold in milliseconds. Which is one of the big reasons you don't hear much about buy and hold any more. That and the fact it didn't work. I think individual owners of stocks finally came to understand that old saying **"Fool me once, shame on you. Fool me for 50 years, shame on me**. "

But Wall Street needs a marketing slogan doesn't it ? How else are they going to get all the suckers back into the market ? (Great article on the Stock market is for Suckers from Macleans.ca). So what's the new mantra that all those brokers, mutual funds and ETFs want you to buy in to ?

Asset Allocation (Aka diversification) is the best approach to investing. Everyone is talking about asset allocation. It's not a surprise given all the new funds, REITs and ETFs that have popped up in the last couple years. The more diversification sold to individuals, the more money to buy them all. Wall Street has to sell what it has doesn't it ? It's just good business for them. But not for you.

No longer does Wall Street even want you to consider buying what you know. Remember Peter Lynch describing how buyers of stocks should pay attention to what they see in the mall and elsewhere and use that as a source of ideas and information ? Or Warren Buffet suggesting that we should actually invest in things we know and look for the value there ? Well you can forget about that kind of investing.

Today, your investment advisors want you invest in things you have absolutely no fricking clue about and have pretty much absolutely no fricking ability to learn about.

They want you to diversify into Emerging Markets, Commodities, International Bonds, Munis, Real Estate Investment Trusts, ….and.. well, a lot of different "stuff". Here is an excerpt from an article from a Sarasota paper today:

"For context, I will provide the performance of my "moderate investor's asset allocation" for both 2010 and with its predecessors for the period since 2000. For the previous 10 years, its predecessors were up about a cumulative 104 percent.

Last year's version of the allocation was:

Fifteen percent in an S&P 500 index fund (IVV).

Five percent in a small-capitalization value fund (VBR).

Twenty percent in a diversified international stock fund (VEU).

Five percent in an emerging markets international fund (VWO).

Five percent in Real Estate Investment Trusts (VNQ).

Ten percent in large and mid-capitalization stocks with a history of paying competitive and increasing dividends (VIG).

Ten percent in a diversified portfolio of convertible securities (ACHIX).

Five percent in a U.S. Treasury inflation-indexed bonds and notes (VIPSX).

Fifteen percent in an international bond fund with traditional fixed coupon bonds (GIM).

Five percent in an international bond fund for inflation-indexed bonds (WIP).

Five percent in cash equivalents."

That is a suggestion for a "moderate investor" . Let me translate this all for you. **"I want you to invest 5pct in cash and the rest in 10 different funds about which you know absolutely nothing. I want you to make this investment knowing that even if there were 128 hours in a day and you had a year long vacation, you could not possibly begin to understand all of these products. In fact, I don't understand them either, but because I know it sounds good and everyone is making the same kind of recommendations, we all can pretend we are smart and going to make a lot of money. Until we don't**"

Asset allocation is about making you a sucker. Do you seriously want to put a significant percentage of the money you will need for your future in funds that put your money into things you have absolutely no idea about? **Will you have any clue about when to change your asset allocation** ? Will you change it based on changes in the dollar ? Changes in domestic inflation ? Changes in European inflation ? Inflation in China ? Changes in tax laws in Italy and Greece ? Changes in interest rates ? Trade balances ?

It comes down to this. Do you want to invest in something you know, or in something Wall Street wants you to believe ?

Do you really think your broker, his boss and the analysts at their firm really are being completely honest with you about how much they know about these investments they want you to make ? Ask them if they are making the exact same investment with their money. Ask them if they would make the same investment if they were not allowed to look at a quote screen all day long like you aren't able to – which tells you if they trust the investment or want to watch it second by second knowing they may have to pull the trigger and get out on a moments notice.

Ask your broker for the names of people they have had to call or get a call from and let them know that their investment has been wiped out. Talk to those people to understand what the ramifications of making in an investment in something you know nothing about might be.

Don't be a sucker. **Remember this. It's better to make less, or next to nothing than to lose everything. Don't get greedy. Don;t get desperate. The stock market can't save your financial future, but it can end it .**

http://blogmaverick.com/2010/08/20/the-stock-market-is-still-for-suckers-and-why-you-should-put-your-money-in-the-bank/