Financial Report

By Fred T. Snyder

You may not be as diversified as you think

Special to Sentinel-Voice

You probably understand the importance of not putting all your eggs in one basket when choosing stocks for your portfolio. But just because you own several different stocks that doesn't necessarily mean your stock portfolio is truly diversified.

Part of assembling a diversified stock portfolio requires that the stocks you own represent not only different industries but also complement one another. For example, let's assume that you invest your savings in two companies: Just earmuffs and just mittens. During the winter, these companies will probably do their best business, but few people need earmuffs and mittens when the weather warms, so the companies' sales — and their stock prices — could decline between April and September. What could happen to your holdings under this scenario?

Most likely, your holdings are performing better during the winter months, when business is booming. But come spring, when the mercury begins rising, performance probably won't fare as well. That's because the investments are in similar industry groups and when one goes up, it's probable that the other one will too.

In this example, you might consider smoothing the ride by moving the just mittens investment into that of another company — perhaps just beach balls, which will tend to do its best business in the summers, when sales for just earmuffs and just mittens are lowest. In this scenario, you can take advantage of negative correlation that is, when one investment goes up, it's likely that the other one will go down.

There's also a third possibility: zero or no correlation. Two investments have zero correlation when their performance is affected by two entirely different sets of factors. Now let's take a look at how selecting complementary stocks — those with negative or zero correlation — apply to real-life portfolios. Let's say your investing in several technology stocks. You might consider looking for a stock that has a low correlation to technology stocks. One possibility might be utility companies, because technology and utility companies generally haven't performed similarly. During good economic times, people are more likely to invest in riskier but potentially more lucrative technology companies. Utilities, on the other hand, offer essential products that people need during even difficult economic circumstances. They may represent a more attractive investment opportunity when higher-risk options are less popular.

Although special risks are involved with international investing, international stocks also can fit into a well-correlated mix. Over the years, international stocks have tended to perform differently from U.S. stocks. In addition to selecting stocks from industries and countries that don't move in sync throughout various economic cycles, you may want to consider buying a mix of large- and small-company stocks. History has shown that when large-company stocks are in favor, small-company stocks often don't perform as well and vice versa.

Of course, correlation reflects historical performance and doesn't guarantee that the same performance results will be achieved in the future. Nevertheless, keeping in mind how your stocks and other securities in our portfolio are correlated can help ensure your portfolio is adequately diversified, which may reduce your risk. Your financial consultant can help you determine how the stocks in your portfolio are correlated and choose stocks that are complementary. Remember, diversification is more than placing your eggs in different baskets, it's also making sure that all your baskets aren't made of the same material.

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BUSINESS

Find out if HUD/FHA owes you a refund

Sentinel-Voice

The federal government owes over 100,000 homebuyers $70 million in refunds.

Uncle Sam could owe you money and he wants to pay up. The HUD/FHA refunds are owed to homebuyers for upfront mortgage insurance fees they paid to FHA.

Homeowners who sell their FHA-insured homes after less than seven years are often owed the refunds to get back a portion of the advance mortgage insurance payment premiums they paid at the time of mortgage closing. Such up-front payments have been charged since 1983 to homebuyers.

In additional, some homebuyers who received FHA-insured mortgages before 1983 are due refunds from earnings by FHA's mortgage insurance fund. Such payments, similar to earnings from a mutual fund were halted in 1990 and are now reinvested in the insurance fund.

HUD attempts to contact homeowners who are due refunds through a series of mailings. When the FHA mortgage insurance on a loan is terminated, HUD's computer system automatically generates a refund application that is mailed to the homeowner's last known address.

If a homeowner does not respond, additional applications are mailed at 30 day intervals for 90 days. If a homeowner still does not respond, an occupant letter is mailed.

In a further attempt to reach individuals due refunds, HUD, twice a year requests from credit bureaus the current addresses for all homeowners who have not been located.

Once a year the Department also sends state property offices the names of individuals from the state who have not claimed their refunds. Some people who have changed addresses without leaving forwarding addresses are not found through the searches.

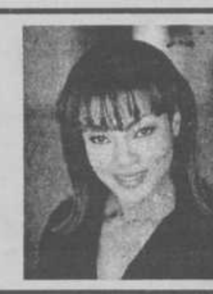
Others who have changed their names or are heirs of deceased homebuyers who were entitled to refunds are also not found. However, most homebuyers owed a refund are expected to be found as a result of an agreement between HUD and the Internal Revenue Service to use IRS lists of current taxpayers addresses to find more people who are owed HUD/FHA refunds.

The IRS, which has the most accurate and broadest address database in the nation, will search its database to locate people owed refunds. The IRS will then mail the people letters from HUD notifying them of the refunds.

For additional information on whether you are owed a

(See HUD, Page 14)

Real Estate Perspective



By Loretta Arrington

Licensed Real Estate Broker

Y2K: Is Black America going to be prepared?

Sophia A. Nelson
Special to Sentinel-Voice

For the most part, the Black community is skeptical about the seriousness of the Y2K computer glitch. Since many black households do not have computers or access to the Internet, we mistakenly think the so-called problem won't affect our lives.

Make no mistake about it: the year 2000 problem is real. Its consequences are serious and the deadline remains unstoppable. There are now less than 180 days until Americans find out whether or not the Y2K computer bug will disrupt the vital functions of our nation's various business and governmental sectors, transportation systems, energy sources and the delivery of healthcare services.

What is the Y2K problem? It started decades ago when, in an effort to conserve computer memory and save time and money, programmers designed software that recognized only the last two digits of years. For example, the year 1967, simply appeared as "67." Thus, when "00" is entered for the year 2000, a computer may process the date as the year 1900. This can cause the computer to produce erroneous data or to stop operating altogether, both of which have far reaching consequences.

Come Jan. 1, 2000, will we be able to get gas for our cars? Or money from an ATM machine? Will there be electrical power or water in our homes? Will the bus or subway run on time? Will we be able to watch television or listen to the radio? Will 911 operators be available to assist in emergencies? More importantly, if vital services are interrupted for any period of time, will we be able to obtain medical services or buy food from the grocery store? The answer is, we just don't know.

The Office of Management and Budget has identified 43 federal programs it calls "high impact," such as Social Security, Medicare and the nation's Air Traffic Control system. Each day these programs provide critical services to millions of Americans. But, only two of them — Social Security and the National Weather Service — say they are prepared for the Jan. 1 deadline.

Neither the Federal Aviation Agency's Air Traffic Control System, nor the Department of Health and Human Service's Payment Management System are ready.

Each year, this computer system processes nearly $165 billion in payments and grants, such as Medicaid. While it can be said that Congress, local governments and businesses are working diligently, cooperatively and responsibly to meet this challenge, we must be prepared for the likely possibility that some problems may occur.