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## Jittery investors tempted to chase risky returns

By [Richard Burnett](#), Orlando Sentinel

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Jonathan Alper has gotten a spate of calls from people who tell him they plan to hit the jackpot with their next investment — in the Iraqi dinar.

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So certain are the would-be investors of the expected returns on their foreign-currency trades that they are afraid of being targeted by creditors or the Internal Revenue Service. So they call Alper, a Lake Mary lawyer and asset-protection specialist, hoping to shelter their anticipated bounty.

"I've had nearly a half-dozen calls in the past year like that," Alper said recently. "... I hadn't heard anything about this Iraqi thing before. Most of the people I know who got hurt by speculative investments in recent years were trying to flip real estate. This is something entirely new to me."

Financial experts say a lot of people are tempted these days to go after investments that, under normal circumstances, they would probably consider too risky — from suspect currency schemes to high-stakes trading in commodities such as oil, corn or cotton.

That's because they're looking for better returns on their savings. Interest rates on fixed-return investments such as savings accounts and certificates of deposit have been at record or near-record lows for nearly two years now. And the stock market's volatility has been a turnoff for longer than that.

Meanwhile, the price of gold has rocketed to tempting, record highs. The price of silver nearly doubled in just the past six months— before plummeting last week as institutional investors fled the precious metal's speculative "bubble."

"It is human nature to want to be part of a successful trend, and its very tempting to buy a hot investment — especially when the rest of portfolio is not performing well," said Charles Rotblut, a financial author and vice president of the American Association of Individual Investors in Chicago. "The danger is knowing when to get in and when to get out."

Especially risky for the average investor is betting hard-earned money on something at the height of a price run-up that may have already run its course, as silver appeared to do last week and real estate did several years ago. Even gold prices declined last week, an indication that gold, too, may be losing steam.

"A properly allocated, well-diversified portfolio that is managed over time is the best approach for these

investors," said Roger Johnson, a financial planner with Certified Financial Group Inc. in Altamonte Springs. "My real fear is that these folks who are calling out for help will get answered instead by the sharks."

Con artists have long pitched alternative investments in exploiting people's desire to get rich quick. Foreign currencies, precious metals and oil leases, for example, routinely rank among the top investment traps — far too risky for most individuals, according to government securities regulators.

But even if they aren't dealing with a too-good-to-be-true scam, do-it-yourself investors, fed up with savings accounts paying less than 1 percent a year interest, can expose themselves to big losses if they get caught up in the market hype surrounding an otherwise legitimate investment, experts say.

Much of the current interest in alternative investments, for example, is the result of nervousness over the declining value of the U.S. dollar, experts say, even though such fears have been fanned by alarmists on the Internet and elsewhere.

"Unfortunately, this lack of faith in the future of our currency has created a new class of investors seeking almost anything that will create a possible return," said Johnson, the certified financial planner.

Foreign currencies hold a particular fascination for some clients, said Cary Carbonaro, a certified financial planner with Stonegate Wealth Management in Clermont. They want to know about foreign-exchange accounts as well as currency-based exchange-traded funds and mutual funds, she said.

"That is the flavor of the month I've seen," Carbonaro said. "Here's my advice: Currency trading is very speculative, and almost no financial planners recommend that individuals do it."

There are realistic measures people can take to boost their investment returns and hedge their portfolios against inflation and the falling dollar, advisers say. Much of what you can or should do depends on your age, tolerance for risk, financial goals and investment horizon (the amount of time remaining until you retire or otherwise need to spend the money).

For example, in a conventionally aggressive portfolio that is 90 percent stocks and 10 percent bonds or cash, investors could place maybe 10 percent of their "stock money" in mutual funds or exchange traded funds based on precious metals, oil or other commodities or foreign currencies.

Other inflation-hedge alternatives include real-estate-investment trusts, international bonds and short-term bonds that can be converted to stock or cash should inflation kick in.

But there are some caveats to putting money into historically higher-risk investments such as commodities, even when you are investing in professionally traded funds. First, beware of buying at the height of a speculative-price curve. Gold and oil, for example, are already at historic highs, so investing now may set you up for a fall when the markets break.

"It is awfully late to get into metals, mining, energy and agricultural commodities now," said Susan Spraker, a certified financial planner and founder of Spraker Wealth Management in Maitland. "If people had bought a couple of years ago, they could have taken profits gradually, over time, to build up their portfolio in a rational way."

Instead, too many people get caught up in the hype, jump in at the wrong times and lose money when the market suddenly "corrects" itself, she said.

"That's the problem with the 'flavor of the month' approach," Spraker said. "Some people will buy a mutual

fund or ETF when they see it on the cover of Money magazine, after it has already run up 60 percent. Then suddenly you have a cyclical shift in the market, that fund falls out of favor, the value drops, and you're stuck."

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