Rodger on Retirement

Investing for the short, medium and long term

40 years ago my dad shared with me a part of his investment philosophy that I have never forgotten. You see, he had invested a few thousand dollars in a real state limited partnership that pooled investor's funds and purchased commercial office buildings in cities such as Cincinnati, Philadelphia, Des Moines Pittsburg and Cleveland. Real estate professionals evaluated the properties and 12 to 15 of them were "packaged" into units for sale to investors.

The idea, my dad explained to me, was that he would have the opportunity to share in the income and appreciation potential of those office buildings over a long period of time, such as 15 to 20 years. He explained to me that companies generally leased office space in these buildings for a set period of years, such as 10, 12 or 15. Over that period, there would be automatic increases built into the lease contracts so that the owners of the buildings – my dad included – would receive increasing income over the term of the lease. He further explained, that as the rental income grew, so would the value of the property. Eventually, my dad reaped returns many times the amount of his initial investment.

In case you were wondering, this is not an essay about real estate ownership, or limited partnerships. The idea is that your portfolio should include investments that are for the near term, medium term and long term. Think of a garden. You might plant a variety of flowers and shrubs, knowing full well that everything is not going to bloom at the same time. There will be flowers that bloom in early April, and well as plants that blossom in July and August. You do not dig up your rose bush to see how the roots are growing; likewise, you should not interrupt long -term investments at the first sign of loss. An important point to remember is that the funds you place in long- term investments are those you will not need to touch in the short or medium term. This requires some sharp pencil and paper planning, but it is worth it.

If you are concerned with any of the investments in your portfolio, speak with your investment professional. Determine if the reasons you placed funds in the investment in the first place are still valid. Do not panic at the first downturn. Don't fixate on digging up freshly planted roses.

During the term of my dad's investment in the partnership, the newspapers printed scary headlines on a weekly basis. When we sat and discussed it, he asked me if what was going on in Russia, the middle- east or Africa had anything to do with an office lease in a building in Iowa or Ohio. I appreciate this lesson from my dad as it provided something sorely lacking among todays investors; perspective.

My dad would joke that his investment of a few thousand dollars was but a small percentage of the 20 million dollar partnership. He often wondered if he owned a couple of windows in an office in Philadelphia or a doorknob in Cincinnati. Whatever it was, my dad left the investment alone to grow and was very happily rewarded over the long term.

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