

Gaining Diversity Through REITs and Real Estate Mutual Funds

Many people who are investing in real estate investment trusts (REITs) and real estate mutual funds think that by purchasing these types of investment portfolios they have created a completely diversified investment plan for themselves.

By their very nature, REITs and real estate mutual funds are diverse. Instead of purchasing one stock or bond at a time, by purchasing the REIT or real estate mutual fund you will be purchasing into a number of stocks, bonds and other offerings at the same time. But this still may not be as diverse as you think it is.

While in theory this sounds like a great idea, you really need to know what is inside those REITs and real estate mutual funds to find out if you have in fact diversified. For many people who purchase REITs and real estate mutual funds, they find out later that all the diversity they thought they had was really a lot of very similar REITs that had their money all in essentially the same place with often 7 or 8 of the top 10 investments being in the exact same places.

More Than a Name

When you are first looking for REITs and real estate mutual funds, there is more than the name of the fund you should be looking at. Don't get me wrong, the name is important. The name will let you know what company is managing the portfolio and that is vital information to know. When you find out who is in charge of the fund, you can invest according to how you believe that person will be able to do with your money in their hands.

But there is more you need to look at than just the name on the portfolio. You also need to look at all the names inside of it. While you may have purchased a number of REITs with very different names, you may be surprised to look inside of them and see many of the same stocks, bonds and other portfolio offerings inside that account. This is just the way the system works.

So, as you begin your search for new REITs to purchase, or are sorting through your portfolio, look at more than just the main name. Open those investments and see where your money is really being put.

Diversity is Key

What you want to look for is a variety of investments in those REITs and real estate mutual funds.

There are a couple of things to look for here:

Region – You want investments that are in more than one region. Any region of the country can have a bad couple of months. If all of your investments are

focused in this region when it happens, you may not like to see what happens to your investments.

Sector – In addition to making sure your money is diversified around the country or world, you want to make sure all of your financial eggs are not in one part of the real estate sector basket. This means you want to put money in financing, construction, and management instead of all in one place.

The more diverse you make your investments, the more chance if one area has a hard time, your other investments will hold you strong through them.

This article was written by Earl E. Bird, spokes person for the REITbuyer.com, a site dedicated to educating Real Estate Investors on how to invest in Real Estate Mutual Funds to diversify their investing portfolio. Learn more at <http://pricesstock.blogspot.com/>