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How To Use The Best Investing Calculators In The World To Maximize Your Returns Almost Automatically

Dan Eggertsen: I'd like to welcome everyone to the call. This is Dan Eggertsen. I'm here with my dad, Karl Eggertsen. Hey Dad, how you doing today?

Karl Eggertsen: Doing good Dan.

Dan Eggertsen: Well good. So what we're going to talk about today is investment calculators and we've been getting a lot of questions from people all around the country that are interested in getting a feel for their current situation of their investments and things and an investing calculator would be a way to do that and they're asking where are the best free resources, what type of investing calculators are there out there. So what I've done is I've taken the top three questions we've been getting and I'm going to ask you those right now Dad, if you're ready.

Karl Eggertsen: Okay. I'm ready.

Dan Eggertsen: All right. Well the first question that we're getting is, "Is there some sort of investment calculator or tool that can help me plan investing strategy?" So let's talk about some of those, Dad.

Karl Eggertsen: Yeah there is. There're a lot of good calculators out on the web, online calculators, but after a lot of research on my own. I've done a lot of research, received up to date information from a lot of sources and I think the one best investment calculator for the individual investor that's comprehensive and complete is on Morningstar.com.

Regarding the question of what investment calculator or tool can help me with my investing strategy. That tool is called the Morningstar Asset Allocation Tool. It can provide you all the capability that you need to assess the probability of reaching your specific financial goals and how to do that. Financial goals being a dollar figure and how many years until you're going to need that dollar figure.

It's an interactive tool. You can test in a variety of ways with what if scenarios, a variety of inputs you can put into it. For example, you can try increasing the monthly investments, your contributions, lengthening the time horizon, the number of years that you need it. Changing your asset allocation, in other words more stocks than bonds or vice versa. So you can try different

things and see which combination of these attributes, these factors that you have control of inputting and trying, will provide you the highest probability of reaching your goal.

That would become your overall investment strategy to reach that goal. Goals could be like buying a home, college for your kids, planning for retirement. Once you have your strategy, there's another Morningstar tool. It's the portfolio allocator and that basically helps you create a specific portfolio of investments and attributes of the portfolio to implement the overall strategy that you identified using the asset allocation tool. These tools in combination can help you stay on track over time. You can periodically go back to these tools and see how you're doing. You can adjust your portfolio as required to stay on track to reach your goal.

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Dan Eggertsen: Okay. So in summary there're two tools that work in conjunction with each other. Could you list them just really quickly one after another again and just a quick summary of what they do each.

Karl Eggertsen: Okay. The asset allocation calculator on the Morningstar.com is the first tool you would use and that's basically, you input a variety of inputs to the tool and it will give you an overall strategy that will give you the highest probability of reaching a specific goal.

Dan Eggertsen: Then the second one?

Karl Eggertsen: The second one is the portfolio allocator which will take that strategy, the output of the asset allocator and will help you create a specific portfolio of specific investments like specific mutual funds, types of mutual funds, type of exchange traded funds, stocks, whatever is determined that would help you to implement the strategy that you obtained from the asset allocator.

Dan Eggertsen: What site do you find that second one on? Same site?

Karl Eggertsen: Same site. They're both the Morningstar. They're both right there together under the tools on the menu of the Morningstar.

Dan Eggertsen: Fantastic. Well great. I think anyone can take advantage of those two to get a good feel for what their goals are and how to reach them. Let's move on to question number two. Now what tools do you personally use to calculate your investments and maybe even guide your future contributions? So do you use these two or do you use others as well?

Karl Eggertsen: Yes I use these two but I also use the Morningstar.com suite of investment tools.

Dan Eggertsen: Ah do you pay for those?

Karl Eggertsen: Yes there is a cost and for the best you often have to pay something. It's not free but it's \$200 a year and the cost benefit is well worth it. There is nothing on the Internet that, at this cost can really compete. In fact, some of the tools on the Morningstar are patented. Nobody else has them. They have a very unique capability that no other website online has and that's why I'm sold on Morningstar.

Dan Eggertsen: So it's the place to go for the tools you need?

Karl Eggertsen: Well yeah it is but... so the question was what do I use? Yeah I use Morningstar. It helps me develop portfolios. It's helped me develop my portfolios. I have a number. It helps me track them. It helps me monitor them. It helps me evaluate them in tremendous detail and in so doing it helps me to stay on track to my goals. These tools provide a unique breadth and depth and power that I haven't seen anywhere that can be used by the individual investor. They're not hard to use. They're quite easy to use.

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You can use them quite quickly and they're interactive. They're a world class capability. The thing I really wanted to mention is there is a combination of the portfolio tracking tool and in combination with what's called the x-ray evaluation tool. The x-ray evaluation is like any other that you'll find anywhere.

It provides, in tremendous detail a breakdown of your portfolio and into investment styles, sectors, even individual countries, expenses, the weightings of each of your individual investments, your asset allocation in tremendous detail, and it gives you guidance on rebalancing and any contributions that you would need to make to stay on track.

If you need to change your, increase the contributions to meet your goals, or you might be able to even reduce them depending on how your portfolio is doing. There're other tools also that are screening tools for funds and stocks. Comparison tools to compare different mutual funds and stocks. There's security portfolio alerts. If your asset allocation has really gotten way out of whack, you'll receive alerts via email to your address, your email address. It helps you spot trends in the market and what the top ranked stocks and funds are.

Also it'll help you identify if you have too much exposure to certain stocks so that you can do something about that. If you find that a combination of your mutual funds, your exchange traded funds, and the stocks that you have in your portfolio, that mix gives you too much exposure in any one place, you'll know about that and you'll know what to do if you decide to do something. So it's very powerful obviously.

Dan Eggertsen: Okay. Fantastic. Okay here is the third question and it goes, "I'm looking for a calculator that will show how much my investments will grow over time. Have you heard of such a thing?"

Karl Eggertsen: Yeah. The Morningstar asset allocator will do that for you.

Dan Eggertsen: Oh okay. And that's free right?

Karl Eggertsen: Well. No it's not free.

Dan Eggertsen: Oh it's not free. That's one of the paid ones.

Karl Eggertsen: It's the Morningstar asset allocator and that comes under the...

Dan Eggertsen: \$200 a year.

Karl Eggertsen: Yeah the \$200 a year along with all the other tools that you have. But it will show you how your portfolio will grow over time based on all the inputs that you can vary and change to see, "Gee what can I do so I can meet my goal?" So you can try different combinations of inputs into the asset allocator that will help you determine what you can do. So that's a tremendous tool.

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Now I've been mentioning Morningstar. A point I want to make is, I'm not affiliated with Morningstar in any way other than I'm just a paying customer. But I've used them for many years. I continue to explore other options. There're a lot of other capabilities out there that are specialized. None of them I've found have the comprehensive capability for portfolio and investment management than Morningstar offers but there are some calculators out there, some are even free that have some capabilities or some specialized capabilities that I thought would be worthwhile mentioning here since I've been talking primarily Morningstar.

There's a couple of excellent calculators specialized for retirement planning. The one is the TRowePrice.com and the other on Vanguard.com. These can be used, the T. Rowe Price can be used to look at from planning purposes, preparation purposes for retirement as well as while you're in retirement. It helps you evaluate the income of your portfolio over time which is very important for retirees as well as is the total value of your portfolio.

Vanguard.com can do very a very similar thing. It's important to use a wide variety of calculators because they use different assumptions. They have to look into the future to give you a good ballpark educated look at what the potential probabilities are for your portfolio strategy. So it's important to try different ones because for example, T. Rowe Price uses a Monte Carlo simulation which runs thousands to different scenarios then comes up with a probability of how your portfolio would do playing against all of these different potential economic conditions.

Vanguard.com uses historical averages of various investments and the economy and markets over time. So they use different methods. They have some obviously different assumptions but they're both excellent and they're both worthwhile to try for somebody planning on retiring.

Some other sites are Kiplinger.com – these next few sites I mention provide calculations about anything you could imagine regarding money; Kiplinger.com, CNNMoney.com, MoneyCentral.MSN.com, SmartMoney.com, and Finance.Yahoo.com. Some of these like Finance.Yahoo.com, they have dozens and dozens of calculators for very specialized purposes, even budgeting and making decisions on whether or not to buy a car.

So it's very specialized. There're a lot of calculators out there and they're all worthwhile looking at for different purposes. Finally regarding the use of calculators, it's important to remember that these are hypothetical. They're making estimates based on the inputs that you provide. They can get you in the ballpark. They're good for comparison of different strategies.

They can help you better understand better where you are in your financial life and towards meeting your goals. It can tell you what's important; the important things you really need to think about to improve your chances and to face reality. Some people never think about their finances and to meeting their goals until it's too late and so these really get you thinking about what you're doing with your money and what the probabilities are and what your options are. So they're powerful tools. They're powerful use and so it's important when using them to use conservative numbers. You might want to plan on assuming that the financial goal might be bigger than you think it might be.

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The time in retirement for example, if you're thinking about a retirement goal, you might assume you're going to live longer than you think you might. Maybe use a higher number for inflation. This type of thing using conservative numbers because it's better to end up with more money than you need rather than less money than you really need. So the calculators are excellent in the ways that I said, it's important to use different ones and I think it really is a good educational process and gets you thinking and facing reality about meeting your financial goals and building financial security.

Dan Eggertsen: Well all right. Thank you very much for your time Dad and I want to thank everyone for being on the call. That ends the answers to these three questions and you did a great job Dad. Thanks so much.

Karl Eggertsen: Okay thank you Dan.

Dan Eggertsen: We'll talk to you next time.

Karl Eggertsen: Okay. Bye.

Dan Eggertsen: Bye-bye.

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