UNDERSTAND YOUR CAPABILITIES. Venturing into stock models without prior experience in managing a stock portfolio is not advisable. Lacking the necessary background, it becomes challenging to articulate the potential volatility to your clients. A more prudent approach is to progressively acclimate to stock models. Start with a predominantly fund-based portfolio, integrating a minimal number of stock models initially, perhaps just one to begin with.

Portfolio Optimizer Best Practice Tips:

- To reduce sector risk, assign a maximum (e.g., 15%) to any sector or super sector model (e.g., Recession 10 or Nasdaq 10).
- Allocations to Alternative / Multi-Asset models should not exceed 30%-40% unless your clients understand that the ebbs and flows of a portfolio will not coincide with the S&P 500.
- Risk (esp. Volatility) is more repeatable than return, so optimize to standard deviation rather than return.
- Pay attention to the low-end return and compound annual growth (CAGR) ranges to understand the personality of a portfolio. Understand that the most conservative portfolios can show high levels volatility in the short-term (3 month, 12 month).
    - This needs to be explained to your clients.
- If you cannot use inverse ETFs, enter a "0" in the Max box for "Potential Short/Inverse Models".
- Do not limit the starting universe to only models that performed well over a specific timeframe.