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ASK THE BIZ BRAIN

By KARIN PRICE MUELLER
STAR-**LEDGER STAFF**

Biz Brain: Investing In a Single Mutual Fund Company

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Q. Is it considered poor diversification to invest 40 percent of assets with a single mutual fund family - Vanguard?

- John in New Jersey

A. Don't sweat it.

Mutual fund companies are investment companies, not banks or investment banks - the kids of companies you've been hearing so much bad news about.

"Although there is the risk of loss when investing in a mutual fund, depending on what type of securities the fund is holding, a company like Vanguard is not likely to be going out of business," said Reed Fraasa, a certified financial planner with Highland Financial Advisors in Riverdale.

You could have 100 percent of your money with one fund company and still be diversified. It all depends on how many and which funds you hold in your account.

"If you go to Baskin-Robbins, you could get three scoops of different types of ice cream, but it is all ice cream and the basic ingredients to make ice cream are the same," said Margaret O'Meara, a certified financial planner with O'Meara Financial Group in Red Bank. "If you go to a restaurant, you can get ice cream and lots of other foods that can create a more diversified meal."

O'Meara says you can own three mutual funds that are like different flavors of ice cream with the same core group of stocks as the ingredients. You may think you're diversified, but if each fund has the same investment objective, they probably own many of the same stocks. For diversification, you'd need a batch of funds with different objectives, such as large company stocks, international and bonds (like a steak, some potatoes and some ice cream). That's better than three domestic large company funds (three different flavors of ice cream).

Check Morningstar.com for information about the styles of funds.