

Investing for Your Future

Remember when having an extra \$50 in your checking account was either a math mistake or you forgot to pay something? I do. That was 1981; thirty was no longer old and my employer started a 401(k).

Inflation pushed that \$50 to just over \$100 and many of today's thirty year olds are struggling under a mountain of student loans. In fairness to this generation, the higher cost of education contributed more to the problem than spring break. Don't give up hope, you will reach the point where investing in the market will no longer mean doing groceries.

If your employer has a deferred savings program use part of your next salary increase to start your investment program. Many companies provide a matching contribution. Take the salary hit and the company's match. If you find another investment that provides an instant 100% return please let me know.

Confused about where to start? Go with a low cost target fund based on your age. Another option is to use index funds and to diversify. You need to be thinking about equities; across the market and throughout the world.

Indexing is cheap, effective, boring and it works. Highly talented investment professionals are responsible for over eighty percent of all trading. They make the markets efficient and it is difficult for one professional to gain a sustainable advantage.

Regardless of your age, take an hour and Google "investment policy statements." Pension fund managers use an investment policy because it provides discipline and most importantly because it works.

When shoes go on sale do you empty out your closet and have a garage sale? No. Why sell equities when the market drops? Buying high and selling low never built wealth and never will. Write out a simple policy and follow a disciplined approach. Buy and sell based on a rational policy not on emotion.

Now you are pushing forty and should be able to increase your annual contribution. Look over your budget, find that mystery money. If extra money is a problem, take a look at the big ticket items. You want to find a balance between living well today and being able to eat tomorrow. The odds are you will see the next sunrise and you could live into your nineties.

Now you are fifty. If you haven't set aside enough money, you get a second chance. While our government is grateful that you kept the economy humming, they want you to retire on your dime not theirs. The government's gift to those fifty and older is a higher contribution limit. If you need to play catch-up, do so now. Later in life you are going to

need the cash. Think I'm kidding? Be the second person to actually read the annual report from the Social Security and Medicare Trustees.

Now you are sixty or sixty plus and may be dreaming of conservative investments. Think instead about longevity risk. Inflation can eat one-third of your lunch every ten years. You do have options.

Living longer will require a redefinition of retirement and investing. Many of us will work part-time or start second and third careers. Take a long-term view. The reason for working longer could be as simple as you need the money, want the mental and social stimulation or after a year of playing golf your handicap increased. It is okay to flunk out of retirement. Living longer and trying to stay ahead of inflation sure beats the alternative.

A sports legend once referred to a genius named Norman Einstein. Did you know that Norm's curly-haired brother regarded compound interest as the most powerful force in the universe? Trust the Norm's brother and invest as much as possible as early as possible. Those geeky compound interest charts are true. By not buying a latte today you can afford to buy multiple lattes later in life when you develop lactose intolerance! Invest early, find a balance between today and tomorrow and keep investing as cheap and boring as possible. You will be glad you did.