Investment Spotlight

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How to Keep More Of Your Hard-earned Cash & Secure Your Future

Nearly 80 percent of all 25–55 year olds in the U.S. say they are "somewhat concerned" that they will not have enough money to live on when they retire. Among minorities, 71 percent of African Americans and 59 percent of Hispanic Americans say they are "very concerned."* If you count yourself among the anxious, here are some tips on what you can do now to help you keep more of what you earn … and start building wealth.

Begin With a Budget

Realistically speaking, planning a budget and sticking to it is the best method to help you achieve your financial goals. It allows you to see the "big picture"—where your money comes from, where it goes and where you may need to make cuts.

Get Out of Debt

If you find yourself paying out more than you are taking in, consider consolidating some of your debts into one low-interest account. Even increasing your monthly payments by as little as $10 will get you out of debt sooner and save you money in the long run. This is a small sacrifice that will not seriously affect your lifestyle, but mounting debt surely will.

Tithing Is the Answer

Pay yourself first. It cannot be over-emphasized. Just as some churches ask their members to tithe by contributing a percentage of their income, you must tithe yourself with five percent to 10 percent of your income. Before you pay a single bill, set aside a specific amount in an account where it will be hard to get.

Set Up a Cash Reserve

Tuck away three to six months' income in readily available cash equivalents (such as savings accounts or money market funds) to meet any unexpected expense. This emergency reserve will give you the psychological advantage of knowing that the money is there in case you need it.

Enroll in a "Forced" Savings Plan

If your company offers a 401(k) or alternative retirement plan, contribute the most you can. For women, this is particularly important because, on the average, women can expect to outlive their male counterparts by as much as seven years.** Usually, you can make pre-tax contributions, thereby reducing your taxable income.

Develop an Investment Strategy

Are you saving or investing? Saving is accumulating money; investing is making that money work to earn more money. Simply putting a portion of your income in low-yielding CDs or money market funds may not ensure your long-term success or well-being. Although savings and term deposits do earn a fixed amount of interest, *you need to put your money into investments that will grow over the long term.*

Educate Yourself—& Your Children—About Money

How to use good judgment when it comes to money matters is a lesson your children can learn from you—and it is one they are likely to carry with them for a lifetime. While most parents do not want to unnecessarily burden their kids with financial worries, it is never too early to begin teaching them good saving and spending habits, and developing practical attitudes toward the value of money and investing.

Before you buy another brand name product for your son, daughter or yourself, take a look at the stock market reports. Odds are you have all contributed to the growth of the company's stock.

Visit your local library, read financial publications or take a course at your community college. The more your know, the easier it may be to make your investment decisions with confidence.

You Can Start Small, But Start Now!

You can begin investing in mutual funds, for example, with as little as \$100 or \$250 a month. Plan to stick with it for the long term to help achieve maximum results. Although actual performance cannot be predicted, consider that \$10,000 invested in mutual funds in 1978 would be worth about \$150,000 today (assuming a rate of return of 14.5 percent compounded annually over a 20-year period).

Simplicity of investment and a fixed pattern of savings are the keys to help you achieve the goal of building your nest egg.

Finally, seek the advice of a skilled, trustworthy professional as you develop your financial plan. Ask question, and make sure you understand before you invest. P&SF

**The Women's Institute for a Secure Retirement, 1997 survey.*

***The National Center for Health Statistics, Vital Statistics of the United States, annual estimates for women born in 1990.*