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INVESTING GUIDE 2006: STRATEGIES THROUGH THE AGES

Better to start saving late than never

By Judy Silber
CONTRA COSTA TIMES

Richard Mac Bride doesn't regret the 51/2 years he spent teaching English in Mexico and driving a Volkswagen bus to Argentina and back. The experiences were some of the most fulfilling of his life.

"I couldn't have bought that with money," he said.

But there was a trade-off. Mac Bride, who is 44, an attorney and president of the Hispanic Chamber of Commerce of Contra Costa County, delayed the start of his career. As a result, he hasn't saved as much for retirement as he would like.

It's not like he wasted time, he said. Each step in his life has led to the next. Living in Mexico, he learned fluent Spanish. When he came back, he worked as a court interpreter for three years. Driving to Argentina, he was exposed to various Spanish dialects, knowledge that has helped his communication with a mostly Latino clientele.

Nonetheless, he didn't go to law school until age 33. And after being employed by a high powered law firm for five years, making a six figure salary, he quit. He wanted to work with his wife, who is from Spain, instead of spending 12 hours to 14 hours a day at the office. He ventured out on his own, opening a practice in Walnut Creek, with his wife as his legal assistant.

Mac Bride's main asset is his Richmond house, which has doubled in value since he bought it in 2001. He says he plans to pay off the 30-year mortgage and not take out any equity loans. After that, he doesn't have a 401(k), but he has no personal debt, having paid off his student loans. He also has about $240,000 in savings, distributed in various mutual and bond market funds.

It's much more than nothing. But it's not enough to maintain his current standard of living once he retires. So compared to his parents, who planned carefully for retirement, Mac Bride feels behind.

"We're not talking about living the high life in Monte Carlo," he said. "In terms of accumulating a large wad of cash, I have not been able to do that yet."

It's not like he hasn't thought about retirement. He says he has a plan. His parents did well through real estate investments and he would like to do the same. Ideally, he would buy a home in the Bay Area or Sacramento where he grew up, and hold onto it for awhile. He would also like to diversify his mutual fund stock holdings by investing in growing sectors like health care and homeland security.

Problem is, housing is expensive in the Bay Area. And ever since Mac Bride quit the law firm two years ago to start his own practice, he has struggled to save money.

It's hard to get ahead without the backup of a big firm, he said. "No one knows who you are. You don't have a reputation."

It could be much worse. Many of his clients are barely making it, he said.

He expects that his practice will grow so that he won't have to struggle forever. Even so, Mac Bride said it's quite possible that, like his grandfather, he'll work until the day he dies. He is pessimistic about the economy, saying it is much worse than what is generally portrayed. In addition, with fewer young people entering the work force, he is worried about Social Security's survival.

"If I have to work until the day I die, I will," Mac Bride said. "I'm not depressed by it. But I think it's a reality that we face."

CHECKLIST

1) Review your financial goals and tolerance for risk.

2) Rebalance portfolio to reflect a later stage in life, with a smaller percentage in equities.

3) Continue participating in 401(k).

4) Invest any extra money in investment accounts.

5) Supplement your will with a Family Living Trust designed to minimize estate taxes when you die.

DID YOU KNOW

The mid-40s through early 50s is when people have their highest earning power.

The same time period is also when people often spend the most.

PORTFOLIOS

Judith Bedell

About 60 percent in equities and 40 percent in bonds.

Damien Couture

I would recommend a blend of 65% equities, 25% bonds, and 10% cash.

Sherman Doll

13% large cap value mutual funds

26% small cap blend and small cap value mutual funds

4% real estate (REITs)

24% international mutual funds

20% fixed incomeStick

Harvey Rowen

Domestic equity 45%

International developed country equity 15%

International emerging country equity 5%

Real estate investment trust 5%

Alternative Investments 5%

Bonds 20%

Cash 5%

ADVISERS' TIPS

Libby Mihalka

Keep your lifestyle in check. When you get a raise don't spend it. Instead, increase your 401(k) contributions. Keep track of all your expenses. Divide them into two categories: basic needs and discretionary. Cut back on the discretionary expenses where you can.

Maximize your contributions to your company retirement plan and save separately for your next car purchase and vacation. Remember, never use debt to pay for depreciating assets. You should be saving at least 15 percent of income for retirement.

Don't use your home as a piggy bank. Your house is not there to finance your lifestyle. If you are using a line of credit on your home to buy a car then you shouldn't be buying a new car.

Harvey Rowen

Your net worth is really starting to grow now. Your salary and bonus are up, and your company has granted you some stock options and/or restricted stock. You continue to contribute to your 401(k) and participate in the employee stock participation plan. You have enough cash flow to be investing in your investment account as well. You may move into a bigger house or add on to the one you own. You should supplement your will with a family living trust designed to minimize estate taxes when you die. Remember to view all of your investment accounts as one portfolio.

Judith Bedell

The mantra for your 40s: "Balance is key!, and 'B' stands for bonds." It's time to get serious about retirement. Get professional help now to work on your financial plan. This is the heaviest spending decade. Cost of living is expensive in your 40 s due to raising a family. But don't lose sight of the need to still save for retirement. Create a will and a trust. Buy individual bonds. Consider tax-free income investments, which can be powerful. It's time to really diversify your assets.

Do not ignore your children's financial needs and education planning. Do not delay the hire of professional help with your plan and your investment portfolio.

Damien Couture

Most people in their 40s have managed to accumulate some larger amounts in their investment accounts and now need to start focusing more on how their money is invested, paying particular attention to their asset allocation and risk exposure. This would be a good time to review your goals and objectives as well as your risk tolerance. What might have been an acceptable amount of volatility when you were younger and had a smaller account balance may prove to be unacceptable at this stage in life with more dollars at stake.

The biggest pitfall I see is investors not re-balancing their portfolios to reflect their stage of life and hanging on to what worked for them in their 20s and 30s.

John Valentine

Continue to maximize contributions to tax-deferred "qualified" investment accounts. We also recommend that 40-somethings invest primarily for growth and wealth accumulation.

Here are some pitfalls to avoid: Avoid the $3.95 investment advisor! This age group, like all others, must avoid basing investment decisions solely on a money and investment magazine touting where to invest. With each new year, news stands are loaded with magazine covers that read, "The Top Ten Investments You Must Make This Year", "33 Ways to Get Ahead Next Year", "14 Stocks to Buy Now!" This is investing in the rear view mirror.

REFERENCES

"Simple Wealth, Inevitable Wealth, How You and Your Financial Advisor Can Grow Your Fortune in Stock Mutual Funds," by Nick Murray

"The Coffee House Investor: How to Build Wealth, Ignore Wall Street and Get on with Your Life," by Bill Schultheis

"The Only Guide to a Winning Investment Strategy You'll Ever Need: The Way Smart Money Invests Today," by Larry Swedroe