

PBS FINANCIAL ADVICE EXPERT
JONATHAN POND

SAFE MONEY
in
TOUGH TIMES



EVERYTHING
YOU NEED
TO KNOW
TO SURVIVE
THE FINANCIAL
CRISIS

AAII

Making the Most of Your Money

**May 16, 2009
Jonathan Pond**

Safe Money in Tough Times

The Key to Financial Success

- Never take financial responsibility for anything that eats

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- This time it's different
- Predicting the future is perilous
- Some things are predictable:
 - We'll get out of the doldrums
 - Some will emerge better off than others

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Anybody who says there's safety in numbers hasn't looked at the stock market pages.

Irene Peter

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Talking to politicians about the economy is like talking with eight-year-olds about sex.

They have heard all the words, but they haven't a clue.

Michael Aronstein

Concerned About the Health of Your Credit Union or Bank?

- Deposit accounts are protected
- If institution fails, you will usually have access to your money within a day

Concerned About the Health of Your Insurance Company?

- Healthy insurance companies usually take over the policies
- State insurance funds offer some protection

Advice for Homeowners

Why did you buy a house, anyway?

- Your house will still turn out to be a wonderful investment
- If you're having trouble keeping up with your mortgage...
- If you have to sell now...

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Advice for Home Buyers

- Your timing is impeccable
- Don't wait around for the perfect time
- Spiff up your finances

When is it Worthwhile to Refinance a Mortgage?

- 1% lower rate if you have a fixed rate mortgage
- If you have a variable rate, consider a fixed mortgage now
- Don't refinance over a longer period

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If medical science continues to prolong human life, some of us may eventually pay off the mortgage.

Anonymous

It's Time to Get Your Debt Under Control

- **Don't follow the government's example.**
- Never borrow to buy a depreciating asset
- Avoid adding to debt

What to Do With Your Investments Now...

- Avoid any big moves
- Check your diversification

The Way You Should Invest Depends on...

- When you're going to start needing the money
- How long the money is going to have to last

The Way You Should Invest...

Example 1: You're going to buy a house in four years

- Need money in four years
- All will be used in four years
- Most of the money should be kept in safe investments like CDs

The Way You Should Invest...

Example 2: College savings needed in four years

- Need to tap into money in four years
- Money will be needed for four years thereafter
- Invest primarily in safe securities with some money in stocks

The Way You Should Invest...

Example 3: You're going to retire in four years

- Need to tap into money in four years
- Money will be needed for 25 or more years thereafter
- Invest in both stocks and interest-earning securities - retirees need both income and growth to meet rising living costs

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I've got all the money I'll ever need if I die by four o'clock.

Henny Youngman

The Problem with Throwing in the Towel

- When the stock market recovers, it does so very quickly
- Those who abandon or greatly reduce stocks have trouble deciding when to get back in.

Investment Advisory

- Many mutual funds have seen their values decline much more than the averages.
- So this is a good time to review the performance of your mutual funds to weed out any weaklings
- One source for performance information is www.reuters.com

401(k) and 403(b) Reminder

- Most workplace retirement plans offer more stock fund choices than bond and stable value choices
- This can lead many plan participants to have a very high percentage in stocks

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The only sure way to accumulate what you need to achieve financial security is to save regularly and regularly increase the amount you're saving

There is a silver lining amidst the stock market clouds:

- If you're contributing to your investment accounts regularly, you're benefiting from ***dollar cost averaging***.
- ***Dollar cost averaging*** is a winning investment strategy.

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My problem lies in reconciling my gross habits with my net income.

Errol Flynn

Safest Places for Money You're Going to Need in a Few Years

- CDs
- Savings accounts and money market accounts
- U.S. Treasury securities and money market funds that invest in U.S. Treasury securities
- If you're willing to take a little risk...

Preparing for the Better Times Ahead

- Stock market rebounds before clear signs of economic improvement
- Improvement in the housing market is key
- Those who wait will be too late

What's the Bullish Case for U.S. Stocks?

- Long-term trend has always been up
- Many smart investors are buying stocks now

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The time to buy is when blood is running in the streets.

Baron Nathan Rothschild

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What's a Reliable Signal to Get Back in the Stock Market?

- *There is no reliable signal*
- Stock prices rise before there are clear indications of improving conditions
- Best strategy is to **gradually** add to your stock holdings

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Where I'm Finding Opportunities

- Cash
- Fixed Income
- Equities

Your “To Do” List

- Find out where you stand, but...
- Avoid taking **any** precipitous action
- Don't look in the rearview mirror
- A decade from now, **2008** and **2009** will be just an unpleasant memory

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