

FINANCIAL RESOLUTIONS FOR THE NEW YEAR!

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Did your list of New Year's resolutions include a few financial goals? If so, here are a few tips to help you maintain them. If you didn't make any financial resolutions, perhaps this list will provide a little post holiday season inspiration.

PAY YOURSELF FIRST

Think about it. Every month you pay your grocer, banker, mortgage company, cable company, utility company, and all of your other bills. Shouldn't you pay yourself first? This year before allocating your paycheck to all of these sources, why not allocate a percentage to your individual or company savings plan? Make it a monthly commitment just like all of your other bills. These monthly contributions could accumulate more quickly than you might think!

USE DOLLAR COST AVERAGING

Investing the same dollar amount (or percentage of pay) on the same day each week or month can help build significant assets over time. By doing this, you automatically purchase more shares or units when prices are low, and less shares or units when prices are high. This is called "dollar cost averaging." While this will not assure a profit or protect against loss in a declining market, it has proven its value when faithfully followed. If the market continues its long-term upward trend, dollar cost averaging will provide you with a lower overall cost of shares than if you constantly wait for "the right time" to buy and sell. If you are contributing to a company sponsored plan, dollar cost averaging is automatically done through payroll deduction. For an individual savings plan, automatic investing through bank-drafting is a handy way to take advantage of dollar cost averaging. With automatic investing, the investment company contacts your bank each month and the funds flow directly from your bank account to the investment company. Not only will you be dollar cost averaging, but you will also be paying yourself first!

DEFER TAXES

Use tax-deferred vehicles for your retirement funds. When you allocate retirement dollars to taxable accounts, it is just like taking three steps forward and one step backward each and every year. For someone in the 28% tax bracket, a 10% return is reduced to a 7.2% return after paying Uncle Sam his fair share. Why pay taxes on the interest or growth now if you don't need this money now? Make contributions to company retirement plans such as 401(k) plans which are tax-deferred. If you are looking for an individual program that is tax-deferred consider an IRA, variable annuity or variable life insurance. The powerful effect of tax-deferred compounding over time continues to make this an extremely important component of effective retirement planning. *Keep in mind distributions may be subject to tax and 10% penalty if withdrawn before age 59 ½.*

DON'T PUT ALL OF YOUR EGGS IN ONE BASKET

Despite what some may say, there are no risk-free investments. All investments carry some form of risk. Even conservative investments like U.S. government bonds and certificates of deposit may fail to keep pace with inflation. On the other hand, long-term investments that can produce substantial gains often may carry a large amount of price fluctuation and higher risks. Since all investments carry some form of risk, how do you protect yourself? If you have a balanced, diversified investment program, it leaves you less vulnerable to a decline in any one market or industry. When the markets are volatile, some investments may lose value while others may register significant gains. Although it cannot guarantee a profit or protect against a loss, with thorough diversification, you'll have the opportunity for some holdings to perform relatively well no matter what happens in the markets.

DON'T FORGET ABOUT YOUR ESTATE AFFAIRS

If you've not yet drawn up your will and power of attorney, why not do it now? This is one of those areas that everyone knows is important, yet few get around to actually planning. If you do it now, you will have accomplished more than 70% of the population. Now, that's a resolution to be proud of!

GET PROFESSIONAL ADVICE IF YOU NEED IT

Unless you have the knowledge, time, training, and temperament to: a) assess your goals and objectives, b) determine the appropriate investment allocation, c) research the tax and estate laws, and then d) monitor your financial and estate plans on a regular basis, you should consider the advice of professionals.

It isn't necessarily easy, but sticking to your financial resolutions can help keep you on track toward long-term success.

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