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FINANCIAL PLANNING PERSPECTIVES

Taking Steps to Safer Investment Decisions in 2009

It's tough to tell how much one investor can do alone to preserve their assets in 2009, particularly with unprecedented government intervention in world markets. But there are some general ideas to employ as markets and economies hopefully stabilize in the New Year:

Start with a plan – or review an old one: If you've worked with a good financial planner, you should be able to articulate your long-term investment goals by yourself. If you can't discuss such goals in detail, it might be time to meet with a financial advisor including a CERTIFIED FINANCIAL PLANNER™ professional. Much of the riskiest investing, overbuying and panic selling during the late 1990s and early 2000s could have been avoided if individual investors had sought advice for achieving *long-term* specific goals such as retirement or a college education.

Check all your assets in banks: As a result of federal economic bailout legislation, the Federal Deposit Insurance Corporation (FDIC) temporarily raised the per-deposit account, per bank coverage level from $100,000 to $250,000 through Dec. 31, 2009. Certain retirement-related accounts carry $250,000 of FDIC coverage, but again, check in with your bank to make sure you're covered, and if not, get the right advice for moving funds so you don't incur an unexpected tax liability or fees.

Review your risk tolerance: Having a plan doesn't mean make the plan and leave it to sit for years. You and your planner should decide when it's time for a review of your investment goals and your feelings about them. An annual conversation makes sense if nothing's going on, but when unusual circumstances in life or the markets take place, a phone call might be a good idea.

Prepare to stay invested: Stock downturns are always filled with panic selling – and buying. If your financial plan is sound, be prepared to stay the course, but work with your advisor to make sure you have your priorities covered. While times are tough, it's wise to examine all your investment choices, but if they make sense, definitely put what you can afford in. You'll reap rewards when the market returns.

Check your credit: No one knows how long it might take to unravel the nation's current credit situation. That's why creditworthy individuals might want to delay looking for new lines of credit until things loosen, and it's definitely a good time to schedule review of each of your latest credit reports at staggered intervals throughout the next year. Why? Because in tough economies and times of tight credit, identity theft might be on the rise, and you'll need to make sure the information on your credit data is truly your own.

Pay attention to your cash: You should have an emergency fund of three to six months' worth of living expenses in case your job situation goes south, but the market turbulence we've experienced also highlights the need to be somewhat liquid in your investment positions so you can take advantage of certain opportunities. Not every investment that's lost value is necessarily a bad investment, and with careful study, you should be able to have cash on reserve so you can capitalize on legitimate opportunities.

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Re-budget: It's a good time to make a budget or re-assess the one you have. Though the federal government would love for consumers to start spending again to lift the economy, that doesn't mean you have to jump in with both feet. Keep your spending smart, your debt low so it's easier to set savings and investment priorities that will do you the most good when the economy and the market come back.

Check your retirement: How will the activity in the market affect your retirement timetable? You might want to continue working full-time or plan a phased-in approach as you continue to build assets. There is a great danger now that people may become either too risk-adverse or assume too much risk in planning for their retirement, and that's why it's wise to get advice.

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