



ALSO BY JANE BRYANT QUINN

Smart and Simple Financial Strategies for Busy People

Everyone's Money Book

**THE CLASSIC
BESTSELLER**

*Completely Revised
for the New Economy*

JANE BRYANT QUINN

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Money and Me

No one is born with a mind for personal finance. I certainly wasn't. I came from a family that handled money prudently, but I understood that only in retrospect. We didn't talk about it. Everything I learned about money, I learned by watching, reading, doing, and—yes—making some awful mistakes.

I'd love to tell you that I embraced my mistakes because they taught me so much, but I'd be lying. I hated making those mistakes! Still do. The only upside is that, after going wrong myself, I understand how easy it is to get off track—especially when money is short or when so-called financial experts are whispering into your ear. I also learned, through trial and error, what the better choices are.

I started out fine as a money manager, teenage division. On my sixteenth birthday, I took the bus to city hall in my hometown, Niagara Falls, New York, to apply for working papers. That afternoon I interviewed with the head of the public library, who not only hired me for afterschool work but gave me my favorite job title ever: I was a “page” in a building full of books. I spent some of my earnings (not a lot; we weren't big spenders at Niagara Falls High School) and put the rest in a savings account to help pay for college.

At college, I got a check from my parents to supplement what I'd saved. I watched my pennies, balanced my checkbook, and never overdrew. In those days we couldn't get credit cards, so I wasn't put to the plastic test. Summers, I clerked in a grocery store and waited at Howard Johnson's. I never learned the trick of balancing a fully loaded serving tray on one hand, held above my head. I was always terrified that I'd drop four hamburger specials with Cokes and fries down the customer's necks.)

Finally I got the summer job of my dreams: reporting stories for the *Niagara Falls Gazette*. I wasn't on the front page. It was more like, “Jane, go to the Friday greenmarket and update the table of vegetable prices.” But I was a *reporter*. I had a desk, phone, and ID card to prove it.

My financial *oops* moments started when I got out of school and went to work at a consumer newsletter in New York City. For one thing, I didn't save. I spent every dime and never looked ahead. One year when I unexpectedly had extra income taxes to pay, I had to take out a loan. I lived the paycheck-to-paycheck life.

Lucky for me, a colleague at work dropped by one day to tell me I was an idiot (his word!) not to have joined the company automatic-savings plan. “I can't afford it,” I whined. “Yes you can,” he said. “Have 5 percent taken out of your pay automatically, and you'll never notice.” I did, and he was right. I was still living paycheck to paycheck, but suddenly, I was saving money along the way. The money wasn't much (I wasn't earning much), but I'm grateful to this day for his having taken the time to tell me I was being dumb. I've been devoted to automatic savings plans every since.

I didn't have a lot of other financial options during my twenties. I married young, had a beautiful baby right away, and money was tight. It got tighter at twenty-five, when I found myself broke, divorced, and struggling to pay rent in a city that isn't for sissies. Young journalists didn't earn much, especially if you were of the female persuasion. In those bad old days, there was something called the “female discount.” If a man and a woman held the same type of job in the company, the woman was paid 30 percent less—and it was legal. At my job interview, the discount was figured out right in front of me, on an adding machine. Total humiliation—but I was stuck. Thank goodness for the feminist movement, which eventually put an end to overt wage discrimination—although not in time to help me with the rent.

I survived by pleading for discounts on nursery school fees (the wonderful headmaster said yes) and scrambling for freelance jobs I could work on after putting my son to bed. Those were tears-in-the-pillow years, and bills I didn't open because I knew I couldn't pay them right away. It's the only time I've ever run up credit card debt and haven't forgotten the scare. To this day, I pay my bills in full on the day they arrive.

But except for my checkbook worries, life was great. My son was growing. At work, I was learning how to report and write, and starting to specialize in consumer finance. The more I interviewed financial people, the wider my eyes grew. I realized that I could learn this stuff. It wasn't magic, it was all based on simple common sense. I'd had no idea.

Fast-forward in time. I got better jobs and earned more money. I married again. We rented a house for a while and finally found the resources to build our own. I felt back on track.

With some money to spare, I ventured into investing and that's when the oopses really started. I opened an account with a stockbroker—a friend of my dad's—and asked for advice. He started calling me with new stocks to buy and suggesting that it was time to sell old ones, in order, he said, to diversify. After a couple of years, it hit me that he was making money on commissions but I wasn't getting anywhere, so I took my money back. At about that time, another broker put an important chunk of my husband's savings into a single can't-lose stock. You know the rest of that story! We were stupid and inexperienced, what can I say?

By then, my reading and reporting had led me to low-cost index mutual funds. Whew, just in time. I've kept them to this day without a moment's regret. (You'll learn to love them too—see page 745.)

But let's face it, index funds get b-o-o-o-ring. A girl ought to own something interesting, right? Gotta make a killing. At that time, I was editing an investment newsletter and talking to Wall Street gurus all the time. They must know something special about making money. Otherwise, why was I interviewing them?

There's no point going into all the sad details. Here's what I got out of my super-guru advice: an oil well in Ohio that came up dry and a top-performing mutual fund that lost 80 percent of its value because it owned too many of that era's hottest stocks. All the way down, its brainy manager urged me not to sell.

I even went local, in hopes of getting in on the ground floor of something big. A neighbor and former executive of a blue jeans company had a smart new idea for making jeans that fit all figures. I was all too right about the ground floor. That's where we stayed, as the seed money dribbled away.

In my heart, I knew better than to write those checks. I'd reported extensively on oil-well partnerships and how the fees ate you up, even if you were lucky enough to hit some oil. But I was dazzled by the guru—a regular source for me—who touted the Ohio well as something special.

The mistaken mutual fund investment is even more embarrassing. I knew it owned highfliers, but I was so impressed by the manager's smarts (or what sounded like smarts) that I figured he'd sell those zoomy stocks at their top and switch to the next Great Investment Game when it came along. Wrong. Soooo wrong. As I've learned, almost no fund manager can do that successfully (and probably you should delete the word *almost*).

About my neighbor, what can I say? It was a completely dumb move that my accountant advised against—but the jeans were so cool. (They ought to have been, considering what I paid!)

Did I mention that I bought some gold coins near the 1980 peak?

All my mistakes came from turning off my common sense and BS detector and letting a salesperson

or silly enthusiasm run my mind. Happily, I never had too much money at stake, so I could ramp up my savings again. But, gee, I wish I'd kept it all in index funds.

By this time, I had left my job at the investment letter and started freelancing. I quit because I got a promotion but wasn't given the same title held by the job's previous occupant—a man. I got a lesser title, not to mention lesser pay. Sound familiar? Those were still the bad old days when women couldn't catch an even break.

As it turned out, leaving that job was *not* one of my mistakes. In fact, it's the best thing that ever happened to me professionally. To earn money, I wrote my first book on personal finance. I started a syndicated newspaper column for *The Washington Post*, thanks to the head of the syndicate, Bill Dickinson, who was willing to gamble on an unknown. His belief in me changed my life. At first it wasn't clear that the column would succeed (Jane Bryant Quinn? the newspapers asked. Who's that?). I still have in my files the names of the nineteen papers and their open-minded editors who bought the new column and gave me my chance.

When the column caught on (250 papers eventually came on board), one thing led to another. I started a column for *Newsweek* magazine, added CBS-TV (morning and evening news), and wrote the first edition of the book you're reading now. But I've never forgotten the feeling of launching out on my own—the thrill of a high-wire act and the nail-biting wait to see if I'd make it to the other side.

Freelancing taught me yet another lesson. When you work for yourself, your investments ought to be more conservative. No employer was contributing to my retirement plan. If I got hit by a truck, my savings were my only safety net. So I had to invest more carefully. I've always held a higher percentage of bonds, compared with stocks, than I would have if an employer were funding my 401(k).

Fast-forward again, to another hard-learned lesson—this one on long-term care insurance. When LTC policies were first introduced, many of them were poor. They low-balled their premiums, then bumped up the price later, put unexpected limits on coverage, and sometimes used fine print to deny payments due. Then the products improved and my husband and I applied. My husband was turned down because, by then, he had some health issues. One day he had a debilitating stroke and the cost was all mine. Would those earlier LTC products have paid? Maybe, but maybe not; they were generally nursing-home contracts and I wanted to care for him at home. Still, it's never a smart idea to put off buying life, health, disability, and long-term care insurance that you know you need. Buy now while your health is good. One bad diagnosis renders you uninsurable overnight.

When I became a widow, I bought a house in haste. That's one of the things I've always told other women not to do. I righted myself and last year had the joy of remarrying. Money matters in life, but what matters more is holding yourself open to happy surprise.

After you've read a list of my financial crimes, you might wonder why I'm writing a personal finance book! First, because I'm a lot smarter now. Second, because I hope to help you avoid some of my own hard lessons and make good choices right from the start. It's pretty easy to avoid my mistakes once you've been alerted to them. And third—the most important thing—to abolish the myth that you have to be born with a math book in your mouth to be good at making decisions about your personal money.

I'm terrible at math; I always have been. Personal finance has nothing to do with math. It's all about understanding simple principles (such as automatic savings), knowing where to find the advice and tools you need (in this book, I've rounded them up for you), choosing plain-vanilla financial products (they've proven to be superior to everything else), and ignoring the America's Greedy Financial Marketing Machine. In a lifetime of studying personal finance, I can say with confidence

that roughly 97.23 percent of the highly touted financial products that you read and hear about will make other people rich; they won't make you rich. The products and strategies that *will* make you rich are in these chapters.

A trusted adviser who won't be identified here once suggested that I invest with Ezra Merkin, prominent financier. "No home runs, just a steady 10 to 20 percent a year using puts and calls," the adviser said. I begged off. Not my style. Years later, it turned out that Merkin's miracles came from investing with the notorious Bernie Madoff, the Ponzi guy. (I still trust that adviser in his area of expertise—but not his investment advice!)

I dodged the Madoff bullet not because I suspected fraud but because—by now—I have rules for myself. Investments have to be simple so that I can understand them perfectly. I won't pay high fees—they're your first sign that a product is poor. I stick with things like mutual funds whose prices are published daily, online, and can't be fudged. Mystery systems of puts and calls don't fit the bill.

Developing simple rules is one of the secrets of managing money well. You create a list of what works for you and apply those rules to each new idea that comes along. If the idea fits, I consider it. If not, I don't even bother investigating it. For investing, my rules are: mutual funds, not individual stocks; passive investing (index or target retirement mutual funds); strict diversification between stocks and bonds related to age (110 minus your age is the maximum percentage you should risk in stocks); regular rebalancing, to keep the stock/bond diversification on target; low costs, which keep me out of all those dubious, expensive annuities; and investments whose price I can follow publicly in the newspapers or online. In other words, b-o-o-o-ring. For thrills, I go to the horse races. I want my investments to be about as interesting as watching paint dry.

This book explains all these rules, and other rules, about savings, credit, mortgages, and insurance. With any luck, they'll steer you around my mistakes, or at least keep your bumps to a minimum!

At this writing, we're also in the midst of a once-in-a-lifetime economic earthquake. Important products such as health insurance, credit cards, retirement plans, and college loans are up for change. I've caught as many of those changes as I could before this book went to press. You can check for updates on my Web site at www.janebryantquinn.com.

But the details aren't as important as the overall concepts—eternal commonsense concepts—that you'll find here. You can apply these rules to new products as well as to the existing ones. Pay down debt, hold down fees, keep all your insurance plans simple, choose plain-vanilla mortgages, stick with simple investments, and tune your BS detector to "high." I've made mistakes in my time but in the end I got it right, and so will you. Every day, I'm cheering you along.

Jane Bryant Quinn
New York

BUILDING YOUR BASE

If I could have lunch with anyone, whom would I choose? Shakespeare, for sure. Cleopatra, to see how compelling she really was. Sojourner Truth. The historian Henry Adams. Jon Stewart (Jon, call me Archimedes).

Okay, Archimedes isn't someone you would think of right off the bat. But I have a special feeling for the Greek mathematician. Aside from his theoretical work, he constructed ingenious mechanical devices. He showed that great weights could be moved with small effort, provided that the lever was long enough. "Give me a place to stand," he said, "and I will move the world."

Our world could stand a little shove, especially the world of money. Each new generation staggers forward under the weight of old ideas. We "know" too much that isn't true, or isn't true anymore. This is a pressured yet hopeful time (as I would explain to Archimedes over sandwiches). The stock boom lies behind us, and so does the real estate boom. Peering forward, we wonder where to light next. Our minds need moving, as well as our money.

That's a job for a lever. This book was written to help you find a place to stand.

Finding Your Financial Self

Where You Stand on the Money Cycle

**The finest of all human achievements—
and the most difficult—is merely being reasonable.**

All of our deepest beliefs about money are formed in the years when we grow up. We learn the great lessons of our era and set out to put them all to work.

But time is a trickster. Just when you think that you've learned all the rules, some hidden umpire changes the game.

Think about the Depression Kids. Those woeful years left a legacy of fear. Forever after, three generations marked by the 1930s saved compulsively. A loan made them feel sick to their stomachs. They took no risks. When the Great Prosperity swelled around them, they mistrusted it. They knew in their hearts it wouldn't last.

Now think about the Inflation Kids, raised in the 1960s and 1970s. They saw in a flash that a dollar saved was a dollar lost because inflation ate it up. A dollar borrowed was a dollar saved. You could use it to buy a car or a stereo before the price went up. They learned to love debt and couldn't change.

Then came the Bubble Kids of the 1980s and 1990s—years when stock and bond values soared, real estate boomed, and everyone thought it was going to be easy to get rich. Even after the bust, they didn't save much, because they still trusted “the market” or “home equity” to rebuild their wealth automatically. Can they change their approach to money any better than earlier generations could?

The new turn of the wheel—the 2008 financial bust—is bringing us the Struggle Kids. They endured the Great Recession, with jobs hard to get, layoffs and wage-cuts common, foreclosures and bankruptcies wiping families out, investments unreliable, health care expensive, and global interconnections that no generation has grown up with before. They're saving more and spending less. What will their orthodoxies be? Can we all find a better place to stand? On the answer to those questions, everything depends.

A Cycle of Spending and Saving

Money comes and goes in your life at different times. Mostly goes, when you're young. Those are the spent years. Maybe the misspent years. But never mind. As you grow older, the urge to save creeps up on you. Here's the typical cycle of wealth:

Ages 20 to 30. You establish credit, buy your first furniture and appliances, take out your first auto loan, learn about insurance and taxes. Maybe (here I'm dreaming) you save a little money, in the bar

or in company retirement accounts. Retirement accounts are money machines for young people because you have so many years to let them grow untaxed. By the end of the decade, you cohabitate, get married, maybe have a baby, buy a house. (You save for a house the old-fashioned way: by borrowing some of the down payment from your parents.) Entrepreneurs start a business.

Ages 31 to 45. You don't know where your money goes. Bills, bills, bills. College is a freight train headed your way. Maybe (here I'm dreaming again) you start a tuition savings account. Money still dribbles into retirement savings, but only if your company does it for you—by taking it out of your paycheck before you get it to spend. When you're pressed, you open a home equity line of credit and borrow money against your house. If you haven't started a business, you think about it now. This is also a good time to get more education. Invest in yourself and hope for a payoff.

Ages 46 to 55. You *do* know where your money goes: to good old State U. At the same time, you get the creepy feeling that maybe you won't live forever. You thrash around. You buy books about financial planning. You have an affair. When all else fails, you start to save.

Ages 56 to 65. These are the fat years. You're at the top of your earning power, the kids are gone, the dogs are dead. Twenty percent of your salary can be socked away—which is lucky because you will need extra money for your children's down payments when they buy a house (kids never really grow away). Consider long-term care insurance.

Ages 66 to 75. How golden are these years? As rich as your pension, Social Security, and the income from the money you saved. Start out by living on the first two. Let the income from savings and investments compound for a while, to build a fund for later life.

Ages 76 and Up. Quit saving. Spend, spend, spend! Forget leaving money to your kids—they should have put away more for themselves. Dip into principal to live as comfortably as you deserve. This is what all those years of saving were *for*.

When You Fall Off the Cycle

You say you can't find your place on the cycle? That's no surprise. Almost no one lives exactly to order anymore. There are a million ways of getting from birth to death, and they all work. If you fall behind financially during any decade, you'll need a plan for catching up.

You Have Your Children in Your 30s. It seemed like a smart idea at the time: diapers tomorrow but never today. No one told you that, in your 50s, you'd be paying for college just when you were trying to save for your own retirement. (And even if they'd told you, you'd never have believed that you would ever be that old.) You might have to choose between sending your children to a low-cost college and shortchanging your own future. Maybe your children will have to pay for their education themselves. The moral, for those who can think ahead: save more in your 20s, using the discipline of tax-deferred retirement plans. These plans penalize you for drawing money out, so you're more likely to leave it in.

You Get Divorced and Start Over. Divorce costs you assets and income, with the greater loss usually falling on the woman. She can rarely earn as much money as her ex-husband takes away. For

the man, a new wife and new babies might mean that college tuition bills will arrive in the same manner as the Social Security checks. Unless you're rich or remarry rich, divorce is a decision to cut your standard of living, sometimes permanently.

You Don't Marry. You lack the safety net that a second paycheck and an in-home caregiver provide. On the other hand, there's usually no other mouth to feed. You can start saving and investing earlier than most.

You're Married, with No Children. You've got nothing but money and plenty of it. You are one of the few who really can retire early, not just dream about it.

Life Deals You an Accident. A crippling illness. Early widowhood. A child with anguishing medical problems. A family that has always saved can scrape through these tragedies. A family in debt to the hilt cannot.

You're Downsized. That's today's euphemism for getting fired. The money in your retirement plan goes for current bills. Your next job pays 30 percent less, with no health insurance or retirement plan. But you can still secure your future by downscaling your life to match your income. There's honor at every monetary level of life.

You Get the Golden Boot. A forced early retirement. Sometimes you see it coming, sometimes blindsides you. You get a consolation prize in a lump sum payout or a higher pension for a retiree of your age. But you lose 5 to 10 years of earnings and savings. This risk is the single strongest argument for starting a retirement savings program young. At your age, a new job will be hard to come by, but you can't afford to retire for real. So you do project work, part-time work, and unexpected work such as clerking, to pad out your early-retirement check.

Memo to All Workers: Employers don't care that you've worked hard and late, that you haven't been sick in a dozen years, or that every supervisor you've had thinks you're hot stuff. They ask only: What have you done for me lately? Is your job essential to business today? Are your skills the right ones for business tomorrow?

Few people "hold a job" anymore. Instead we have talents that we sell to employers for various projects, some longer term than others. In this kind of world, nothing is more important than continuing education and upgrading skills.

Who Needs What When

The number of financial products on the market today—bank accounts, insurance policies, annuities, mutual funds—I estimate conservatively at two zillion point three (2.3Z). Most of them nobody needs but buys anyway because some salesperson convinces you to. In fact, you need only a few simple things, matched to your age, your bank balance, and your responsibilities. The rest of this book tells you how to choose them. Here I offer a general framework for your thinking.

Young and Single

Admit it: you are living your life on hold. Cinderella, waiting for Prince Charming. Peter Pan, n

wanting to grow up. You are serious only about your work (or finding work!). Everything else is temporary. There is nothing in your refrigerator and nothing in your bank account. “Wait until I’m married,” you say. But what if you don’t marry? Or you marry late? Looking back, you’ll see that you’ve lost ten good years. Your future starts now. As a young person you should:

- *Establish credit with a low-cost bank card.* Practice on one card before getting two. Debt tends to rise to the highest allowable limit. If you’re in college, apply for a bank card before you leave. Banks give credit faster to students than to job-seeking young adults. (They count on the parents to save the kids’ credit rating by paying off their debts.)
- *Get disability insurance coverage if your employer offers it.* It pays you an income if you’re sick or injured and can’t work. How will you afford the premiums? By not buying life insurance.
- *Get health insurance if you don’t have a company plan.* I know you’re immortal, but buy a policy anyway, just in case you should be a teeny-weeny bit mortal and need an operation or a splint. No one wants a charity patient. If you can’t afford a policy, maybe your parents will buy it for you. They would probably pay for the splint, so buying your health insurance is really a way of protecting themselves. Under health insurance reform, a policy would be mandatory.
- *Invest in your own education and training* even if it means more student debt. Your earning power is your single greatest asset.
- *Start saving money.* Put away 10 percent of your earnings. I hear you saying “I can’t do it.” So sneeze up on it: start with 5 percent, then move up to 7 percent. You can get to 10 percent within the year. Where should the money go? For starters, part to a bank account and part to a retirement plan.
- *Start a tax-deferred retirement plan:* an Individual Retirement Account (IRA) or a savings plan through your employer. Put the money into stock-owning mutual funds and leave it there.
- *Rent, don’t buy an apartment.* You don’t yet know whether you’re ready to put down roots. Except in unusual boom years, like the ones at the turn of the twenty-first century, it’s hard to make money on real estate that you’ll hold for only a short time—say, less than four years. Resale prices for condominiums and cooperative apartments typically lag behind those for single-family homes. At that point in your life, the money you’d spend on a down payment is better invested somewhere else. Buy only when you have a place you expect to live in for many years.
- *Buy property insurance if you have valuable possessions.* You especially need it for business property if you work out of your home. But you don’t need it for furniture if your apartment’s style is Modern Attic.
- *Make a will* unless it’s okay for your parents to inherit everything. If you die will-less, that’s where your property will probably go.
- *Create a power of attorney, a living will, and a health care proxy.* That’s basic protection in case you meet with a horrible accident that leaves you alive but not alert. Someone has to act for you, both financially and medically, and you should pick those people yourself.

Older Singles

You might be your own sole support for life, but don’t let that scare you into playing your hand too conservatively. Stocks do better than bank accounts or bonds over long periods of time. For financial self-defense, you need:

- *A good credit record*—good enough to be approved for a mortgage or a business loan.

- *Enough education and job training to keep your income moving up.*
- *Good health and disability insurance.* The older you get, the greater your risk of illness or injury. When you pass 60, consider long-term care insurance. You don't need any life insurance unless someone depends on your income for support.
- *A home of your own.* Living will be cheaper and expenses more predictable if you own a house or apartment free and clear when you retire. Keep your homeowners insurance up to date.
- *A habit of saving.* Try for 15 to 20 percent of your income. No, that's not too much.
- *A retirement plan:* pension, company tax-deferred savings plan, Individual Retirement Account, Keogh plan, or Simplified Employee Pension (SEP) for the self-employed. Get more than one plan if you qualify. Fund everything to the max.
- *A mix of investments in your retirement plans:* some U.S. and foreign stock-owning mutual funds, some Treasury, tax-exempt municipal, or other bonds.
- *An interest beyond your regular job*—a pastime or charity. It may open the door to a second career.
- *A will, a living will, a health care proxy, and a durable power of attorney.*
- *A good attorney or other surrogate who will manage your money if you can't do it yourself.*

Married Couples

You have a lot of responsibilities. Your mate needs security if you die. Children have to be set up too. After that, the big question is how to handle the family money. You need:

- *A cost-sharing system.* If you are a two-paycheck couple, will you split the bills or pool your money in one account? If you are a one-paycheck couple, will you start a savings account for the nonearning spouse? Financially speaking, there is no best way, only your way.
- *Credit cards in the names of both spouses,* or separate cards—at least one in each of your names. A wife without joint responsibility for the debt, or a card of her own, could have her cards yanked if her husband dies or leaves. And vice versa, of course.
- *Disability insurance.* Every income-earning person needs it, to cover lost paychecks (and maybe home health care bills) if you become too sick or disabled to work.
- *Health insurance.* Don't go without it, especially between jobs. When you're out of work, you're under a lot of stress, which can lead to accidents and poor health. Working couples should try not to duplicate benefits in their company health plans.
- *Life insurance.* If your family depends on your income for support, you need life insurance. If your family can get along without your income, you don't. Working couples with no kids may do fine with whatever group term insurance they get from their companies. But you'll need much more coverage when children arrive. Buying insurance on a nonearning spouse is a luxury purchase. Buying it on a child is a waste.
- *A will,* so that beneficiaries will inherit exactly as much as you intend.
- *A power of attorney,* so that someone can manage your finances if you can't.
- *A living will and health-care power of attorney,* in case you fall into a permanent coma and don't want to spend years on life support. You need a surrogate to speak for you, or your living will might be ignored.
- *A premarital agreement,* if you want to limit what your spouse will collect at divorce or inherit

your death. These agreements are used mostly by people of vastly unequal wealth, the previously divorced who swear that they won't be "burned again," and older people with children from previous marriages to protect. There are postmarital agreements too, for arrangements you wish you had made earlier.

- *Your own home.* It should be an acceptable investment if you own it long enough. It's also a form of forced saving and a cheap way to live in retirement, once you own it free and clear. Keep your homeowners insurance up to date.
- *Regular savings.* Sprinkle 10 percent of every check among ready savings, his-and-hers tax-deferred retirement plans, and college savings. Come to think of it, sprinkle more. You'll never catch up with college costs on a mere 10 percent. Be sure to fund both spouses' retirement plans. Some couples waste a tax deduction by forgetting to fund a plan for a spouse who has only modest earnings.
- *Job skills.* A spouse without them is asking for trouble, even if he or she is home with the kids. Life is not fair. Death or disability occurs. Breadwinners lose their jobs. Not all spouses love each other until the end of time. As the poet said, "Provide, provide."
- *Long-term care insurance* once you pass 60.

Blended Families

Life gets expensive when both bride and groom come with children attached. You need everything that any other married couple does, plus extra protection for stepchildren. Check:

- Whether all the kids are covered by health insurance.
- Whether you want to change your will to include the stepchildren.
- Whether you need trusts to ensure that the children of your former marriages inherit the property they're due.
- Whether all the kids will have enough money for college.

Younger Widows and Widowers, and the Divorced

Maybe you're just plain single again. More likely, there are children to support. It's harder alone. You'll need a substantial safety net:

- *Buy as much disability insurance as you can get.* If you can't work and can't support your children, the family might break up.
- *Don't be without a family health policy for a moment.*
- *Buy a lot of life insurance* if your children's future depends on you. Stick with low-cost term insurance and cancel it when the kids grow up.
- *Write a will,* especially to name a guardian for your children. Add a living will, a health care proxy, and a power of attorney.
- *Call Social Security.* An unmarried child under 18 or 19, or a child disabled before age 22, whose mother or father is dead, can get a monthly Social Security payment on that parent's account. So can a widowed person (including a divorced spouse whose ex-spouse dies) if his or her child is disabled under 16.
- *If you're divorced, report your new status*—in writing—to everyone who gave you credit and cancel all joint credit cards. You don't want your ex-spouse's new charges to show up on your personal credit.

history. (You'll still be responsible for the past debts that you contracted together.)

- *If you're widowed*, maybe you want to report your new status to credit granters. Then again, maybe you don't. If the card was based on two incomes or on the income of the spouse who died, you may not be able to keep the card unless you can prove that you're creditworthy. If the family credit history is good and you have an income, the card would doubtless be reissued. But if you have only a small income, it might not be. In that case, nothing in federal law stops you from keeping your old card and keeping mum.
- *Find work*. Or find better work. Train for a higher-paying job. You can't afford to coast.
- *If you collect child support*, take out a term insurance policy on your ex-spouse (this should be part of your divorce agreement). The insurance proceeds will make up for your lost child support if he or she dies.
- *Save money even at the cost of your standard of living*. Maybe you will remarry, but you can't count on it.
- *Consider trading down to a smaller house*. Keep your homeowners insurance up to date.
- *Own a home*—your current house or a smaller one—if you're rooted in place. Otherwise hang loose and rent on a short-term lease. Your next life may lie somewhere else. Get renters insurance to protect your good furniture from fire and small, expensive objects from theft.
- *Take no quick advice about money*. Not from your brother. Not from your friends. Above all, not from anyone selling financial products. Salespeople love widows for their ready cash and their presumed dependence on a sympathetic ear. Keep your money in the bank until you've learned something about managing it and know exactly what you want to do.
- *Don't automatically turn your life insurance proceeds into an annuity*. Inflation will gradually wipe out the value of a fixed monthly income. You might want to take a lump sum instead and invest it conservatively.

Older Widows, Widowers, and the Divorced

You have great freedom if your children are grown. Your life can be reconstructed from the ground up. Your checklist includes “cancels” as well as “buys”:

- *Cancel your life insurance*. Use the money to add to your savings and investments.
- *Cancel your disability insurance* if you have retired and no longer get a paycheck.
- *Keep your health insurance*. At age 65, get a Medigap policy or join an HMO that will cover what Medicare doesn't.
- *Call Social Security*. If you worked at least 10 years, you're owed a retirement benefit on your own account, starting as early as age 62. Alternatively, you're entitled to benefits based on your spouse's account. You can collect whichever is higher. The widowed are entitled to benefits on their late spouse's account as early as 60 (50 if you're disabled) unless their current earnings are too high.
- *Study up on money management*. If you've never handled investments before, this is the moment that nature has chosen for you to learn. In the meantime, keep your money in the bank. Don't give it to anyone else to manage until you've learned a lot about money yourself. You have to be able to follow what your “expert” is doing. Otherwise your money might be expertly “managed” away.
- *Write a will or change your old one*. A living will and a health-care power of attorney grow even more urgent as you age. You need someone to speak for you if you become incapable.

- *Write to your late spouse's (or ex-spouse's) company immediately after the death or legal separation.* Better yet, write in advance. You may be due some employee benefits, including up to three years of health insurance at group rates. The employer is supposed to notify you about the health insurance but doesn't always do so. If you don't apply for the policy immediately after losing your coverage as a spouse, you won't be able to get it at all.
- *Find work if you need it*, perhaps through a temporary help agency.

Sort of Married

More than single but less than married, you have only to change the locks to “divorce.” You need:

- *Separate bank accounts.* Contribute to common bills in proportion to your earnings. If one of you earns only 30 percent of the total, that person should pay only 30 percent of the expenses. It's not fair to hit him or her for 50 percent.
- *Separate property.* One buys the lamps, one buys the couch, so that ownership is clear.
- *Written agreements for property bought together.* What happens to it if you split up? If one of you dies?
- *A will, to be sure that the other gets—or doesn't get—what you intend.* If you have no will, everything will go to your family, not to your partner.
- *The same health, disability, and living will protection that you'd give yourself as a single person.* If you both work, you need no life insurance unless there are children. If you decide that one of you won't work, buy a policy to protect the partner at home. In a few jurisdictions, a domestic partner—straight, lesbian, or gay—might be covered by the other's employee benefits plan.

These lists tell you generally what you need. The rest of this book tells you how to get them. As you read, you can construct your own financial plan, chapter by chapter—adding, subtracting, revising, updating—one step at a time.

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