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

MAKING THE MOST OF YOUR MONEY *NOW*

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Contents

Money and Me

STEP 1. BUILDING YOUR BASE

1. Finding Your Financial Self

Where You Stand on the Money Cycle

2. The Ultimate Wish List

What You've Got and Where You're Going

3. I Have It Right Here Somewhere

The Right Way to Keep Records

4. Your Basic Banking

Banking in the Internet Age

5. Poolers, Splitters, and Keepers

Who Should Own the Property—Me? You? Us? Them?

6. Willing Makes It So

Wills and Trusts—For Everything You Can't Take with You

7. All in the Family

Twelve Checklists for Life's Milestones

STEP 2. FINDING THE MONEY

8. A Spending Plan That Works

How to Take Charge of Your Money—At Last

9. Saving More Money

Patented, Painless Ways to Save and Where to Save It

10. Kicking the Credit Card Habit

Learning to Live Without Consumer Debt

11. When to Hock the Farm

All the Best Ways to Borrow Money to Invest

STEP 3. YOUR SAFETY NET

12. The Money on Your Life

What Kind of Life Insurance? How Much Is Enough?

13. The Health Insurance Lottery

Paying More, Getting Less, Rooting for Change

14. Disability: The Big Black Hole

The Risk That Everyone Forgets

15. The Driving Dream

The Search for the Best and Cheapest Auto Insurance

16. Fire! Theft! Wind! Flood!

Protecting Your Home and Everything in It

STEP 4. YOUR OWN HOME

17. A House Is a Security Blanket

… Even If It Doesn't Make You Rich

18. A Second Home for Fun and Profit

The House That Doesn't Cost You Anything (Much)

STEP 5. PAYING FOR COLLEGE

19. Tuition, Room, and Board

The Matterhorn of Personal Finance

20. The Best College Investment Plans

How to Beat the College Inflation Rate

STEP 6. UNDERSTANDING INVESTING

21. Drawing Up Your Battle Plan

Which Kinds of Investments Serve You Best?

22. How to Pick a Mutual Fund

Every Investor's Bedrock Buy

23. Working with a Stockbroker

Where It Helps and Where It Hurts

24. Stocking Up

Still Your Ticket to the Future

25. How to Use Bonds

Income Investing—The Right Way and the Wrong Way

26. The Call of the Wild

Some Absolutely Awful Investments

27. *Aimez-Vous* Growth?

The Case for Putting More Money Abroad

28. Investment Real Estate—The New Winning Systems

Finding the Properties That Pay

STEP 7. RETIREMENT PLANNING

29. How to Retire in Style
The Tax-Deferred Route to Easy Street

30. Making It Last
Still Living Rich at 99

31. Retiring on the House
How to Tap the Equity You've Built

STEP 8. MAKING IT WORK

32. Be Your Own Planner … or Find One You Trust
The Secret, Revealed

Appendixes

1. Taxable Versus Tax-Free Bonds
2. How Long Will Your Capital Last?
3. Pension Maximization: Will It Work for You?
4. Life Expectancy

Acknowledgments

Index

Money and Me

No one is born with a mind for personal finance. I certainly wasn't. I came from a family that handle money prudently, but I understood that only in retrospect. We didn't talk about it. Everything 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 hated making those mistakes! Still do. The only upside is that, after going wrong myself, I understar how easy it is to get off track—especially when money is short or when so-called financial experts a 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 city hall in my hometown, Niagara Falls, New York, to apply for working papers. That afternoon interviewed with the head of the public library, who not only hired me for afterschool work but gav me my favorite job title ever: I was a "page" in a building full of books. I spent some of my earning (not a lot; we weren't big spenders at Niagara Falls High School) and put the rest in a savings accou to help pay for college.

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

Finally I got the summer job of my dreams: reporting stories for the *Niagara Falls Gazette*. I wasn on the front page. It was more like, "Jane, go to the Friday greenmarket and update the table 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 consum newsletter in New York City. For one thing, I didn't save. I spent every dime and never looked ahea One year when I unexpectedly had extra income taxes to pay, I had to take out a loan. I lived th 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 have joined the company automatic-savings plan. "I can't afford it," I whined. "Yes you can," he sai "Have 5 percent taken out of your pay automatically, and you'll never notice." I did, and he was righ I was still living paycheck to paycheck, but suddenly, I was saving money along the way. The mone wasn't much (I wasn't earning much), but I'm grateful to this day for his having taken the time to te 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 beautif baby right away, and money was tight. It got tighter at twenty-five, when I found myself brok divorced, and struggling to pay rent in a city that isn't for sissies. Young journalists didn't earn muc especially if you were of the female persuasion. In those bad old days, there was something called th "female discount." If a man and a woman held the same type of job in the company, the woman wa paid 30 percent less—and it was legal. At my job interview, the discount was figured out right in fro of me, on an adding machine. Total humiliation—but I was stuck. Thank goodness for the femini movement, which eventually put an end to overt wage discrimination—although not in time to he me with the rent.

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

But except for my checkbook worries, life was great. My son was growing. At work, I was learnin how to report and write, and starting to specialize in consumer finance. The more I intervieww financial people, the wider my eyes grew. I realized that I could learn this stuff. It wasn't magic, 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 hous 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. opened an account with a stockbroker—a friend of my dad's—and asked for advice. He started callin me with new stocks to buy and suggesting that it was time to sell old ones, in order, he said, diversify. After a couple of years, it hit me that he was making money on commissions but I wasn getting anywhere, so I took my money back. At about that time, another broker put an important chur of my husband's savings into a single can't-lose stock. You know the rest of that story! We wer 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 tim 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, righ Gotta make a killing. At that time, I was editing an investment newsletter and talking to Wall Stre gurus all the time. They must know something special about making money. Otherwise, why was interviewing them?

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

I even went local, in hopes of getting in on the ground floor of something big. A neighbor ar former executive of a blue jeans company had a smart new idea for making jeans that fit all figures 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-we partnerships and how the fees ate you up, even if you were lucky enough to hit some oil. But I w 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 was so impressed by the manager's smarts (or what sounded like smarts) that I figured he'd sell tho zoomy stocks at their top and switch to the next Great Investment Game when it came along. Wron Soooo wrong. As I've learned, almost no fund manager can do that successfully (and probably yo should delete the word *almost*).

About my neighbor, what can I say? It was a completely dumb move that my accountant advise 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 salesperso or silly enthusiasm run my mind. Happily, I never had too much money at stake, so I could ramp u 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 promotion but wasn't given the same title held by the job's previous occupant—a man. I got a less title, not to mention lesser pay. Sound familiar? Those were still the bad old days when wome 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 ev happened to me professionally. To earn money, I wrote my first book on personal finance. I started syndicated newspaper column for *The Washington Post*, thanks to the head of the syndicate, Bi Dickinson, who was willing to gamble on an unknown. His belief in me changed my life. At first 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 th new column and gave me my chance.

When the column caught on (250 papers eventually came on board), one thing led to another. started a column for *Newsweek* magazine, added CBS-TV (morning and evening news), and wrote th first edition of the book you're reading now. But I've never forgotten the feeling of launching out o 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 be more conservative. No employer was contributing to my retirement plan. If I got hit by a truck, m savings were my only safety net. So I had to invest more carefully. I've always held a high 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. Whe LTC policies were first introduced, many of them were poor. They low-balled their premium bumped up the price later, put unexpected limits on coverage, and sometimes used fine print to den payments due. Then the products improved and my husband and I applied. My husband was turne down because, by then, he had some health issues. One day he had a debilitating stroke and the co was all mine. Would those earlier LTC products have paid? Maybe, but maybe not; they wer generally nursing-home contracts and I wanted to care for him at home. Still, it's never a smart idea 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 othe not to do. I righted myself and last year had the joy of remarrying. Money matters in life, but wh 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 person finance book! First, because I'm a lot smarter now. Second, because I hope to help you avoid some o my own hard lessons and make good choices right from the start. It's pretty easy to avoid my mistake once you've been alerted to them. And third—the most important thing—to abolish the myth that yo have to be born with a math book in your mouth to be good at making decisions about your person money.

I'm terrible at math; I always have been. Personal finance has nothing to do with math. It's a about understanding simple principles (such as automatic savings), knowing where to find the advic and tools you need (in this book, I've rounded them up for you), choosing plain-vanilla financi products (they've proven to be superior to everything else), and ignoring the America's Gre Financial Marketing Machine. In a lifetime of studying personal finance, I can say with confiden that roughly 97.23 percent of the highly touted financial products that you read and hear about wi ~~make other people rich; they won't make you rich. The products and strategies that *will* make you ri~~ 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," th adviser said. I begged off. Not my style. Years later, it turned out that Merkin's miracles came fron investing with the notorious Bernie Madoff, the Ponzi guy. (I still trust that adviser in his area c expertise—but not his investment advice!)

I dodged the Madoff bullet not because I suspected fraud but because—by now—I have rules f myself. Investments have to be simple so that I can understand them perfectly. I won't pay high fee —they're your first sign that a product is poor. I stick with things like mutual funds whose prices a 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 wha works for you and apply those rules to each new idea that comes along. If the idea fits, I consider it. not, I don't even bother investigating it. For investing, my rules are: mutual funds, not individu stocks; passive investing (index or target retirement mutual funds); strict diversification betwee stocks and bonds related to age (110 minus your age is the maximum percentage you should risk 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 publicl in the newspapers or online. In other words, b-o-o-o-ring. For thrills, I go to the horse races. I want m investments to be about as interesting as watching paint dry.

This book explains all these rules, and other rules, about savings, credit, mortgages, and insuranc 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. Importa products such as health insurance, credit cards, retirement plans, and college loans are up for chang I've caught as many of those changes as I could before this book went to press. You can check fo updates on my Web site at www.janebryantquinn.com.

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

Jane Bryant Quin

New York

STEP 1

BUILDING YOUR BASE

If I could have lunch with anyone, whom would I choose? Shakespeare, for sure. Cleopatra, to see ho 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 feelin for the Greek mathematician. Aside from his theoretical work, he constructed ingenious mechanic devices. He showed that great weights could be moved with small effort, provided that the lever w 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 stagge forward under the weight of old ideas. We "know" too much that isn't true, or isn't true anymore. Th is a pressed yet hopeful time (as I would explain to Archimedes over sandwiches). The stock boo lies behind us, and so does the real estate boom. Peering forward, we wonder where to light next. O 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 gre 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 umpi changes the game.

Think about the Depression Kids. Those woeful years left a legacy of fear. Forever after, th generations marked by the 1930s saved compulsively. A loan made them feel sick to their stomach They took no risks. When the Great Prosperity swelled around them, they mistrusted it. They knew 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 doll saved was a dollar lost because inflation ate it up. A dollar borrowed was a dollar saved. You coul 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, re estate boomed, and everyone thought it was going to be easy to get rich. Even after the bust, the didn't save much, because they still trusted "the market" or "home equity" to rebuild their weal 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. The endured the Great Recession, with jobs hard to get, layoffs and wage-cuts common, foreclosures ar bankruptcies wiping families out, investments unreliable, health care expensive, and glob interconnections that no generation has grown up with before. They're saving more and spending les What will their orthodoxies be? Can we all find a better place to stand? On the answer to tho 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 th spent years. Maybe the misspent years. But never mind. As you grow older, the urge to save creeps u 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 au loan, learn about insurance and taxes. Maybe (here I'm dreaming) you save a little money, in the ban or in company retirement accounts. Retirement accounts are money machines for young peop ~~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: b 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 trai headed your way. Maybe (here I'm dreaming again) you start a tuition savings account. Money sti dribbles into retirement savings, but only if your company does it for you—by taking it out of yo paycheck before you get it to spend. When you're pressed, you open a home equity line of credit ar borrow money against your house. If you haven't started a business, you think about it now. This 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 g the creepy feeling that maybe you won't live forever. You thrash around. You buy books abou 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, th dogs are dead. Twenty percent of your salary can be socked away—which is lucky because you wi need extra money for your children's down payments when they buy a house (kids never really g away). Consider long-term care insurance.

Ages 66 to 75. How golden are these years? As rich as your pension, Social Security, and the incom from the money you saved. Start out by living on the first two. Let the income from savings ar 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 shou have put away more for themselves. Dip into principal to live as comfortably as you deserve. This 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 t order anymore. There are a million ways of getting from birth to death, and they all work. If you fa 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 b never today. No one told you that, in your 50s, you'd be paying for college just when you were tryin to save for your own retirement. (And even if they'd told you, you'd never have believed that yo would ever be that old.) You might have to choose between sending your children to a low-co college and shortchanging your own future. Maybe your children will have to pay for their educatic themselves. The moral, for those who can think ahead: save more in your 20s, using the discipline tax-deferred retirement plans. These plans penalize you for drawing money out, so you're more like to leave it in.

You Get Divorced and Start Over. Divorce costs you assets and income, with the greater lo usually falling on the woman. She can rarely earn as much money as her ex-husband takes away. F the man, a new wife and new babies might mean that college tuition bills will arrive in the same ma as the Social Security checks. Unless you're rich or remarry rich, divorce is a decision to cut yo standard of living, sometimes permanently.

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

You're Married, with No Children. You've got nothing but money and plenty of it. You are one o 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 medica problems. A family that has always saved can scrape through these tragedies. A family in debt to th hilt cannot.

You're Downsized. That's today's euphemism for getting fired. The money in your retirement pla 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 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 o your age. But you lose 5 to 10 years of earnings and savings. This risk is the single strongest argume for starting a retirement savings program young. At your age, a new job will be hard to come by, bu you can't afford to retire for real. So you do project work, part-time work, and unexpected work suc 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 bee sick in a dozen years, or that every supervisor you've had thinks you're hot stuff. They ask only: Wh have you done for me lately? Is your job essential to business today? Are your skills the right ones fo business tomorrow?

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

Who Needs What When

The number of financial products on the market today—bank accounts, insurance policies, annuitie mutual funds—I estimate conservatively at two zillion point three (2.3Z). Most of them nobody nee but buys anyway because some salesperson convinces you to. In fact, you need only a few simp things, matched to your age, your bank balance, and your responsibilities. The rest of this book tel 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 temporary. ~~There is nothing in your refrigerator and nothing in your bank account. “Wait until~~ I’ married,” you say. But what if you don’t marry? Or you marry late? Looking back, you’ll see that yo 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 rise to the highest allowable limit. If you’re in college, apply for a bank card before you leave. Ban 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 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 polic anyway, just in case you should be a teeny-weeny bit mortal and need an operation or a splint. No o wants a charity patient. If you can’t afford a policy, maybe your parents will buy it for you. The would probably pay for the splint, so buying your health insurance is really a way of protecti 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 your single greatest asset.
- *Start saving money.* Put away 10 percent of your earnings. I hear you saying “I can’t do it.” So snea up on it: start with 5 percent, then move up to 7 percent. You can get to 10 percent within the yea 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 pla 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 i unusual boom years, like the ones at the turn of the twenty-first century, it’s hard to make money o real estate that you’ll hold for only a short time—say, less than four years. Resale prices f condominiums and cooperative apartments typically lag behind those for single-family homes. At th point in your life, the money you’d spend on a down payment is better invested somewhere else. Bu 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 busine property if you work out of your home. But you don’t need it for furniture if your apartment’s style Modern Attic.
- *Make a will* unless it’s okay for your parents to inherit everything. If you die will-less, that’s whe your property will probably go.
- *Create a power of attorney, a living will, and a health care proxy.* That’s basic protection in ca you meet with a horrible accident that leaves you alive but not alert. Someone has to act for you, bo 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 to conservatively. Stocks do better than bank accounts or bonds over long periods of time. For financi 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 injur When you pass 60, consider long-term care insurance. You don't need any life insurance unles 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 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 Accour Keogh plan, or Simplified Employee Pension (SEP) for the self-employed. Get more than one plan you qualify. Fund everything to the max.
- *A mix of investments in your retirement plans:* some U.S. and foreign stock-owning mutual fund 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 mone in one account? If you are a one-paycheck couple, will you start a savings account for the nonearnin 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. wife without joint responsibility for the debt, or a card of her own, could have her cards yanked if h husband dies or leaves. And vice versa, of course.
- *Disability insurance.* Every income-earning person needs it, to cover lost paychecks (and mayb 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' under a lot of stress, which can lead to accidents and poor health. Working couples should try not t duplicate benefits in their company health plans.
- *Life insurance.* If your family depends on your income for support, you need life insurance. If yo family can get along without your income, you don't. Working couples with no kids may do fine wi whatever group term insurance they get from their companies. But you'll need much more coverage children arrive. Buying insurance on a nonearning spouse is a luxury purchase. Buying it on a child 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 want to spend years on life support. You need a surrogate to speak for you, or your living will migh 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 previous ~~divorced who swear that they won't be "burned again," and older people with children from previo~~ marriages to protect. There are postmarital agreements too, for arrangements you wish you had mad earlier.

- *Your own home.* It should be an acceptable investment if you own it long enough. It's also a form o forced saving and a cheap way to live in retirement, once you own it free and clear. Keep you homeowners insurance up to date.
- *Regular savings.* Sprinkle 10 percent of every check among ready savings, his-and-hers tax-deferre retirement plans, and college savings. Come to think of it, sprinkle more. You'll never catch up wit college costs on a mere 10 percent. Be sure to fund both spouses' retirement plans. Some couple 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. Li is not fair. Death or disability occurs. Breadwinners lose their jobs. Not all spouses love each oth 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 th 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 proper 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 alon 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 childre 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 ter 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 prox and a power of attorney.
- *Call Social Security.* An unmarried child under 18 or 19, or a child disabled before age 22, whos mother or father is dead, can get a monthly Social Security payments on that parent's account. So ca 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 canc all joint credit cards. You don't want your ex-spouse's new charges to show up on your personal cred

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, mayb you don't. If the card was based on two incomes or on the income of the spouse who died, you may n be able to keep the card unless you can prove that you're creditworthy. If the family credit history good and you have an income, the card would doubtless be reissued. But if you have only a sma income, it might not be. In that case, nothing in federal law stops you from keeping your old card ar 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 pa of your divorce agreement). The insurance proceeds will make up for your lost child support if he she dies.
- *Save money even at the cost of your standard of living.* Maybe you will remarry, but you can't cou 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 loo and rent on a short-term lease. Your next life may lie somewhere else. Get renters insurance to prote 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, n from anyone selling financial products. Salespeople love widows for their ready cash and the presumed dependence on a sympathetic ear. Keep your money in the bank until you've learne 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 wi out the value of a fixed monthly income. You might want to take a lump sum instead and invest conservatively.

Older Widows, Widowers, and the Divorced

You have great freedom if your children are grown. Your life can be reconstructed from the groun 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 wh Medicare doesn't.
- *Call Social Security.* If you worked at least 10 years, you're owed a retirement benefit on your ov account, starting as early as age 62. Alternatively, you're entitled to benefits based on your spouse account. You can collect whichever is higher. The widowed are entitled to benefits on their la 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 th nature has chosen for you to learn. In the meantime, keep your money in the bank. Don't give it anyone else to manage until you've learned a lot about money yourself. You have to be able to follo 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 eve 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 lega separation*. ~~Better yet, write in advance. You may be due some employee benefits, including~~ up t three years of health insurance at group rates. The employer is supposed to notify you about the heal insurance but doesn't always do so. If you don't apply for the policy immediately after losing yo 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 yo earns only 30 percent of the total, that person should pay only 30 percent of the expenses. It's not fa 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 yo dies?
- *A will, to be sure that the other gets—or doesn't get—what you intend.* If you have no wi 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.* you both work, you need no life insurance unless there are children. If you decide that one of yo 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 yo read, you can construct your own financial plan, chapter by chapter—adding, subtracting, revisin updating—one step at a time.