# Worried About Your Financial Future? Relax

By Ryan Zacharczyk, CFP®, CSA, CRPC

Many of us are licking our wounds from 2008. The year proved to be one for the history books with the Dow Jones Industrial Average having its third worst year in recorded history, the housing market collapse, the failure of many mainstay financial institutions, and an economy that shed millions of jobs. Your personal portfolio probably took a wallop as well. Even those who were well diversified saw negative returns of 20%+. Many of you may feel as if you are heading down a raging river without a paddle, helpless as your tiny boat careens toward jagged rocks. What do you do? Jump overboard? Don't. Take a deep breath and relax. Now is the time for clear thinking. You're certain to find your paddle and navigate out of the rocky waters. Just follow these steps.

**Maintain an emergency cash reserve.**
It is vitally important to create a healthy financial framework that has liquid cash on hand for emergencies, irregular expenses, and peace of mind. The standard rule is three to six months of living expenses. Consider more if you have an erratic income, such as a small business owner or a salesman who works on commissions. If you are retired, I generally recommend a years' worth of living expenses in cash. This will ensure that you have a full year of expenses no matter how bad things get.

I get a lot of resistance from people on the emergency account. They feel that it is wasteful to have cash sitting around when it should be out working for them. In reality, this money is working for you. It is regularly providing you dividends in peace of mind. This cash gives you the ability to make it through tough times without having to liquidate a long-term investment during a down market or break a bond and incur penalties. It often goes that when the economy is bad, the market is low. This is the time you are most likely to lose your job. If you need to liquidate your stock portfolio or 401k, this would create the double whammy of selling into weakness and paying high taxes. Maintain your emergency account first and then look to invest.

**Get your insurance in place.**
Often insurance is confused with investments. Insurance should be used strictly as a vehicle to protect you or your loved ones against an unavoidable financial catastrophe. When you have a young family, life insurance is critical. It protects your family against the financial hardship that would be brought about by the death of a parent and their lost income. As you age, long-term care insurance is important to have in most cases. It insures against the possibility that your spouse will be financially wiped out if you require expensive in-home or nursing facility care. Homeowners insurance, auto insurance, disability insurance, and umbrella policies all provide you with risk transference. Don't be talked into an expensive whole life policy that only complicates your financial picture and puts hefty fees and limitations on your money. Keep it simple and insure risks during the time they are the greatest.

**Diversify your portfolio.**
Diversification, along with regular investing, is the factor that will most determine your portfolio's success. Many see investing as speculation. You buy a few stocks, hope they go

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up, and sell them for a profit. That is one way to use the market to grow your wealth. But so is regularly betting your paycheck on the roulette wheel. Real investing--not just gambling--has to do with purchasing numerous asset classes over a long time period and holding them indefinitely. In fact, purchasing when the market is lower is the best way to enhance a diversified portfolio.

Purchase stocks, bonds, real estate, and a little bit of commodities both domestically and internationally. Also, choose a cross section in each of these classes, small cap, large cap growth and value stocks, treasury, municipal and high quality corporate bonds, along with commercial and residential real estate investment trusts (REITs).

Buy everything, hold it forever, and get more conservative as you age, the whole time taking advantages of dips in the market, and your portfolio will be rock solid and available for you when you need it most.

Surviving a down market and struggling economy can be a challenge. Even some of the smartest, most successful financial professionals in the world have run their companies to the ground during times like these. You don't have to let the struggling economy take you down with it. Keep cash on hand for hard times, get your insurance in place, and invest and save wisely with diverse investments that you hold on to. Combine these strategies with spending less than you earn and you are on your way to keeping your money and your quality of life safe, no matter what the economy tries to do to it.

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