



FINANCIAL ADVICE MADE SIMPLE

By Jacob Ansel

KISS. KEEP IT SIMPLE, STUPID. MY KISS to you — simple rules to make sure you and your money are not soon parted.

Only invest in stocks and companies you can explain to a six year old. That's my all-time favorite maxim and all-time favorite rule. If you don't understand what the investment's about then why put money in it?

Read more books and fewer one-page articles. If you want to learn about money, read books. You may get some good ideas, tips, or tricks from quick articles, but it's impossible to understand how something really works unless you spend time on the topic. So read a book.

Learn from history — stop listening to predictions. History doesn't lie and a prediction is nothing more than an educated guess. A guess isn't good enough when you want to understand interest rates, buy stocks, or invest in real estate. Study behaviors based on past fact and you'll know how to react to the future.

If you spend money on things, you will end up with things, not money. Things, stuff, items don't mean anything. It's ridiculous to spend money on things to make you feel better about yourself; it's always better to have money in the bank rather than things in the closet. Save and invest — that'll go a long way.

Having 60% of assets in stocks and 40% in bonds isn't perfect, but there are worse strategies. Every financial advisor has a different opinion on what the right mix of investments should be

Amazon.com sells upwards of 60,000 books on the topic of personal finance, but the basic tenets can be summed up in nine words: Work a lot, spend a little, invest the difference. Most financial advice can easily be encapsulated into a sentence or two. Here are a few I like.

based on. Some advisors encourage foreign assets and real estate trusts as the way to go. While some mixes are clearly not smart, a basic 60/40 split of your money is a good thing. A simple rule of thumb is you can't go wrong with money in stocks and bonds, regardless of the allocation.

Warren Buffett makes people think what he's accomplished is easy. It's not. Buffett's a smart investor who has made many people very wealthy. That's not an easy thing no matter who you are or how clever you are. Follow folks like Buffett for guidance and inspiration. Buffett does his homework and pays attention to what's going on in the world.

Just as you dress appropriately for your age, you should spend appropriately for your income, and not a penny more. Spending more than you make is like showing up to a formal dinner party at the boss' house in cut-offs, flip flops, and a T-shirt. It just doesn't make sense. Use that same lesson on your spending; never spend more than you earn. Sure it's the way most folks live, but it's not smart. Don't get into credit card debt. It's a terrible idea to put a purchase on

a credit card without knowing how you're going to pay for it when the bill comes in. A good idea is to allocate your net paycheck to living expenses, some entertainment costs, and at least 10 to 15% for savings and investing.

Admit when you're wrong. If you try something with your money and it doesn't work, cut your losses, admit you made a mistake, and move on. The longer you try to prove that a bad idea was really a good one, the more money you could stand to lose.

There are only two things certain in life: death and taxes. Make sure you pay your taxes on time every quarter, every year. Don't pay late as you'll incur penalties and interest, and it'll wind up costing more in the long run. Taxes are unavoidable and will always be there to haunt you; don't ignore them. Your tax bill should be like paying a mortgage. You have to pay the mortgage or you lose your house. If you don't pay your taxes, there's a good chance it's going to end up costing you big.

Save for your retirement because no one else will save for you. Don't count on social security being there for you. Save in a pension plan, invest in stocks and bonds, put away money wherever and whenever you can. Anticipating that social security will be the sole source of your retirement income is foolhardy. Save often, save plenty.

The more you learn about the economy, the more you realize you have no idea what's going on. Everyone's an expert when they make money and a hack when they lose money. Do everything you can to end up on the right side of that equation. □

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