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Keeping What You Make

We've all heard stories about lottery winners taking home prizes of millions of dollars and years later having nothing to show for it. It happens with professional athletes, with people who inherit money or get big packages when they are downsized. These dramatic situations highlight a common problem. Some people don't understand personal finance. People may obsess about individual investments and fail to think about the important questions that will determine whether they can accumulate enough money for retirement or bequests or their other goals. People don't understand the logic of the financial markets and they don't think about what they are trying to accomplish. They concentrate on the short term and squander one of the greatest assets any investor has: time. With time, your money, if pointed in the right direction, can accomplish wondrous things. Optimism, too, is in short supply now. After the Great Recession, most people are pessimistic about their financial futures and their actions make that pessimism likely to be justified. With trillions of dollars earning close to zero interest -- some invested at negative yields -- their investment rewards will indeed be bleak. As it likely will be also for people darting in and out of the market at record speeds. But for those who maintain their optimism and keep to the time-tested basics of proper asset allocations, broad diversification, attention to costs and sensitivity to taxes, there's no reason to fear the future.

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About Larry Luxenberg

Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.