SAFE MONEY

How to save, invest and protect what you work for.

PHOTO: ARAMINTA / YAYMICRO.COM

Look at your risk roadmap

CONSIDER INVESTMENTS THAT CHANGE WITH YOUR LIFE

Everyone knows that the stock market has its ups and downs — peaks and valleys that are hard to predict and gut-wrenching to watch as an investor.

Fluctuations in the market become much more important, though, when a person gets close to retirement age. If the stock market takes a dip this year, for example, a 30-year-old will have another 35 years of investing to recover from it before they reach retirement age. But someone who is 64 could see a big portion of their wealth disappear just as they're about to retire, with little time left to recover that money.

That's why many investment advisors recommend choosing investments that change their risk profile over time.

AUTO-PILOT INVESTING

Picking stocks and allocating your investment portfolio can be fun and rewarding for the right type of people, especially those with the experience to know what they're doing and the guts to watch their choices swing up and down.

For other people, though, it makes more sense to choose an investment that adjusts itself over time.

Luckily for them, investments that change their risk profile over time are becoming more popular lately.

HOW MUCH RISK?

Generally, these time-adjusted portfolios are designed to start out with higher risk investments that also have the potential for greater returns. As time goes on, the investment allocations are automatically switched to categories that are seen as safer but without as much upside potential, such as long-term bonds.

The beauty of these plans is that the changes will happen automatically over your lifetime. You don't have to remember to call your broker on your 40th birthday to say, "I'd like to dial back some of the risk this year." The adjustment occurs without you having to think about it.

GET PRO ADVICE

There are a lot of options for investments that adjust their risk level over time, so it's a good idea to talk to a professional investment advisor to see what options are right for your situation.

If you choose the best ones, you'll have a greater chance for growth in the fund's early years and less of a chance for losses as your retirement goal draws near.

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Make it automatic

FIVE WAYS TO SAVE WITHOUT THINKING ABOUT IT

As any successful saver can tell you, savings don't just happen on their own. It takes discipline and practice to be able to save some money from every paycheck so you can meet your financial goals over time.

Luckily, there are some ways you can make it easier. One of the simplest ways to make savings a habit is to make it an automatic thing, something you do without even having to think about it.

Here are five ways to start meeting your savings goals with little effort:

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1. DIRECT DEPOSIT

Virtually every employer offers direct deposit for paychecks. But did you know they can usually deposit part of your paycheck into a savings or retirement account, too?

Talk to your human resources office to see if you can automatically route part of every paycheck into savings. If you never see it show up in your checking account, you're less likely to fritter it away by spending it. And if it happens automatically, every single time you get a check, you'll know your savings will grow over time if you just leave your money alone.

2. "ROUND UP" BANK ACCOUNTS

Yes, this is a marketing gimmick that some banks use to lure in customers, but it can actually help many people save money.

With these programs that "round up" your purchases to the nearest dollar, you can automatically transfer a few cents from every purchase into your savings account. That can add up to a lot of money over the course of a year.

Just be careful to watch your bank balance and make sure it doesn't dip too low because of these transfers. An overdraft fee can wipe out any savings if you're careless.

3. CARD REWARDS

This is another gimmick that can bite you if you're not careful — or be a nice reward if you're cautious.

Some credit cards offer rewards for spending. You don't want to carry a credit card balance, obviously, so if you can pay off the full amount every month it can be an easy way to save for a few perks. The key is discipline to make sure you keep credit card debt under control.

Luckily, some new debit cards are cropping up that offer similar rewards without the risk of falling into debt. They let you get rewards for your own routine spending, which is a nice feeling.

4. 401k

If you're not taking advantage of your employer's 401k plan, you should be.

Not only do these retirement plans offer an easy way to put money aside every single month, but they also typically grow tax free.

And because most employers offer some kind of matching funds to encourage you to invest, you're simply leaving money on the table if you don't participate in the 401k plan.

It's the smartest move on this list.

5. EXTRA MONEY

Finally, every time you get some extra money — say, a tax refund or a bonus from your job — it's a good idea to put it directly into savings.

Even if you spend a portion of the extra money, it should be a part of your regular habits to save the bulk of it.

Remember, a lot of small windfalls over your lifetime can add up to a huge windfall when it's time to retire.

Bank or credit union?

HERE'S WHAT SETS THEM APART

Banks and credit unions may look very similar at first glance. They offer many of the same services. You can cash your checks, make deposits, visit the ATM, drive up to a teller and apply to get a loan.

But behind the scenes there are some major differences in how they operate.

BANKING BUSINESS

Banks are essentially setup like any other business, meaning they are owned by investors with the goal of making a profit.

That can be a great thing as different banks compete to win customers' loyalty. Competition makes businesses stronger as they all try to outdo each other in terms of service and quality, which is a good thing for customers.

Banks make money by taking deposits and loaning them out to other businesses and individuals for interest. When you make a deposit at the bank, you're basically loaning the bank your money so that they can loan it to someone else, and you get paid a small fee in return as interest.

One of the best parts of doing business with a bank is that you can often use their services easily when traveling. If you travel across the country frequently, it can be a good idea to have a bank with branches all over the nation so that you can always have convenient access to your money.

If you do more regional traveling, or prefer to keep your money in the community, you can choose a locally owned or regional bank to meet your needs.

CREDIT UNIONS

While their basic services are the same, credit unions are actually setup very differently from a business standpoint.

Credit unions are owned by their own members, not outside stockholders or investors. They are often run by a volunteer board of directors as a not-for-profit organization.

They still make money in the same way a bank does, by taking deposits and making loans, but they re-pay that money to their members in the form of more attractive interest rates. That's why credit unions typically offer higher interest rates on deposits and lower interest rates on loans.

The biggest downside to credit unions is that they are not as widespread and sophisticated as the national banks. You may have a harder time accessing their services or pay higher fees to do so when traveling, for example.

And because they are smaller than most banks, they may not adapt to new technologies and industry trends as quickly.

If you love their local focus and want the best interest rates, though, a credit union can be a great option.

PHOTO: KEEWEEBOY / YAYMICRO.COM

Estate planning: Where to start

Now that the Baby Boomer generation is reaching retirement, America is about to see one of the greatest transfers of wealth in human history.

But many families don't have a plan in place for how to transfer that wealth, be it a big or small fortune.

The lack of a quality estate plan can lead to confusion, legal problems, a hefty tax bill and family fights. Making a well-formed plan with advice from estate professionals, though, can make a huge difference in the legacy you leave behind.

With that in mind, here are some things to consider when planning for your estate:

GET LEGAL ADVICE

Any good estate plan will include getting help from a qualified attorney who can tailor the legal framework to meet your specific needs.

While having a will is critical — for young people as well as the elderly — that's just one part of your estate plan. Other things to consider are assigning a power of attorney, a living will, and perhaps even a trust.

All these things require specialized legal advice, though, so look for an experienced attorney who has a good reputation and long track record handling estates similar to yours.

PHOTO: GUNNAR3000 / YAYMICRO.COM

LIFE INSURANCE

One thing to consider is investing in a life insurance policy that can be left to take care of the people who are close to you. There are a lot of different choices in the life insurance market — only some of which will be right for your situation — so it's important to find an advisor you can trust to help walk you through the process to find the most fitting product.

Term life insurance is the most popular option because of its typically low rates and long-term coverage, but it's not the only one.

Whole life insurance policies, annuities and other insurance products may meet your needs, too.

No matter what, be sure you fully understand the insurance policies you're buying. If you feel confused or uncomfortable about it, get second opinions.

FUNERAL EXPENSES

Today's funerals can cost tens of thousands of dollars. When you factor in the cost of the burial place, services, ministers and everything else that goes into a funeral, the bills can quickly add up.

That's why it's important to plan ahead to cover your funeral expenses. You don't want to leave your descendants with the bill.

Luckily, in addition to traditional life insurance policies, there are other options to keep from leaving your family with a financial burden. Prepaid funeral plans are a popular choice, or you could simply purchase your final resting place so there's one step taken care of before your passing.

It's uncomfortable to think about, but it's something that must be dealt with as part of a good estate plan. Visit your local funeral homes to talk about their options for paying for services ahead of time.

TALK ABOUT IT

Finally, an important part of an estate plan is talking with your heirs about what they can expect to receive as part of the estate.

You should be frank with them and — while you don't necessarily have to go into every detail — they shouldn't be too surprised at the inheritance they receive after your death. Many estate-related fights and heartache could have been avoided with good communication.

That's another thing a good estate planner can help you with. They deal with estates all the time, including the family dynamics and concerns that typically accompany decisions about them.

With the right estate plan — and professional help to get you there — your estate can be a blessing for your heirs that they'll treasure for the rest of their lives.

A predictable nest egg

ANNUITIES ARE ONE OPTION FOR CONSISTENT INCOME

Since the financial crisis of 2008, many investors have been looking for ways to reduce risk from their portfolios. They don't want to take another painful hit, especially if they are already retired.

That's one reason annuities have become a more popular part of Americans' retirement plans. They offer protection from market risks while guarantying a specific income level during retirement.

PHOTO: BALEFIRE9 / YAYMICRO.COM

THE BASICS

An annuity, put simply, is a contract between you and an insurance company. You agree to make a one-time payment or a series of payments, and the insurance company agrees to pay you a certain amount of money over time. They may start paying you now or at a later date, depending on which annuity you choose.

There is tremendous flexibility in different types of annuities, though. Like any investment, you should make sure you fully understand what you will be getting and how much it's going to cost you. Annuities aren't offered for free and don't fit everyone's retirement needs, so it's important to get a clear picture of what the annuity will do for you, what strings are attached to your money, and how your broker will be compensated.

EARLY WITHDRAWAL

With most annuities, you should be very confident you want to leave your money in them for a long period of time, because they can charge hefty fees for withdrawing your money early.

Not only will there be potential charges written into the annuity contract for pulling your money out too soon, but you could also face tax ramifications if withdrawals are taxed as ordinary income instead of capital gains like traditional stock-based investments. The overall hit can be huge.

TYPES OF ANNUITIES

Annuities generally fall into three categories: indexed, fixed and variable.

Indexed annuities will pay you a varying amount of money based on how well a certain stock market index performs. It may be based on the Dow Jones Industrial index, for example, or the Standard and Poor's 500 index. They will often have a minimum payment that you will receive regardless of market performance and a higher payment when the market races upward.

Fixed annuities, as their name suggests, pay you a fixed amount of money every month. Some will be for a certain period of time, such as 20 years, while others will be for an indefinite period of time, such as the lifetime of you or your spouse.

Variable annuities, which are regulated by the Securities and Exchange Commission, are securities that are based on investment options that you make. You can choose to invest in different mutual funds, for example, and the size of your payments will vary with how well your investments performed while they were growing.

ASK QUESTIONS

No matter what type of annuity you consider, always ask lots of questions. You need to fully understand the annuity contract you're entering into, including all the risks and associated fees that come with them.

It's also a good idea not to make your investment decisions in a vacuum. Talk to a variety of financial planners, investment advisors and tax professionals to find the right products to meet your needs.

Call in professional help

SOMETIMES IT PAYS TO USE PEOPLE, NOT SOFTWARE

One of the most popular ways to file taxes today is using computer software, those off-the-shelf programs that promise to make satisfying the IRS a breeze.

But software isn't always the best answer. It might make sense for people who are computer savvy and have simple taxes, but not necessarily for those of us who have more complicated tax returns or don't want the hassle of learning a new program.

A COMPLEX RECIPE

The problem with using tax software is that it takes two incredibly complicated systems and combines them together.

Think about it: No one person can understand the United States Tax Code, which is one of the largest legislative works in human history. And many people struggle to get their computers to print correctly, much less enter every detail about their financial situation down to the decimal.

For people who still want the human touch, it's good that there are plenty of options for picking local tax professionals.

IN-DEPTH KNOWLEDGE

Software programs aren't always the best at explaining technical terms about the tax code.

If you're not comfortable answering the precise questions today's complex tax returns demand, it's a good idea to find a person who can explain the tax rules and how they apply to your situation. They can explain things in a clear, comfortable way — something that online glossaries and do-it-yourself software simply can't match.

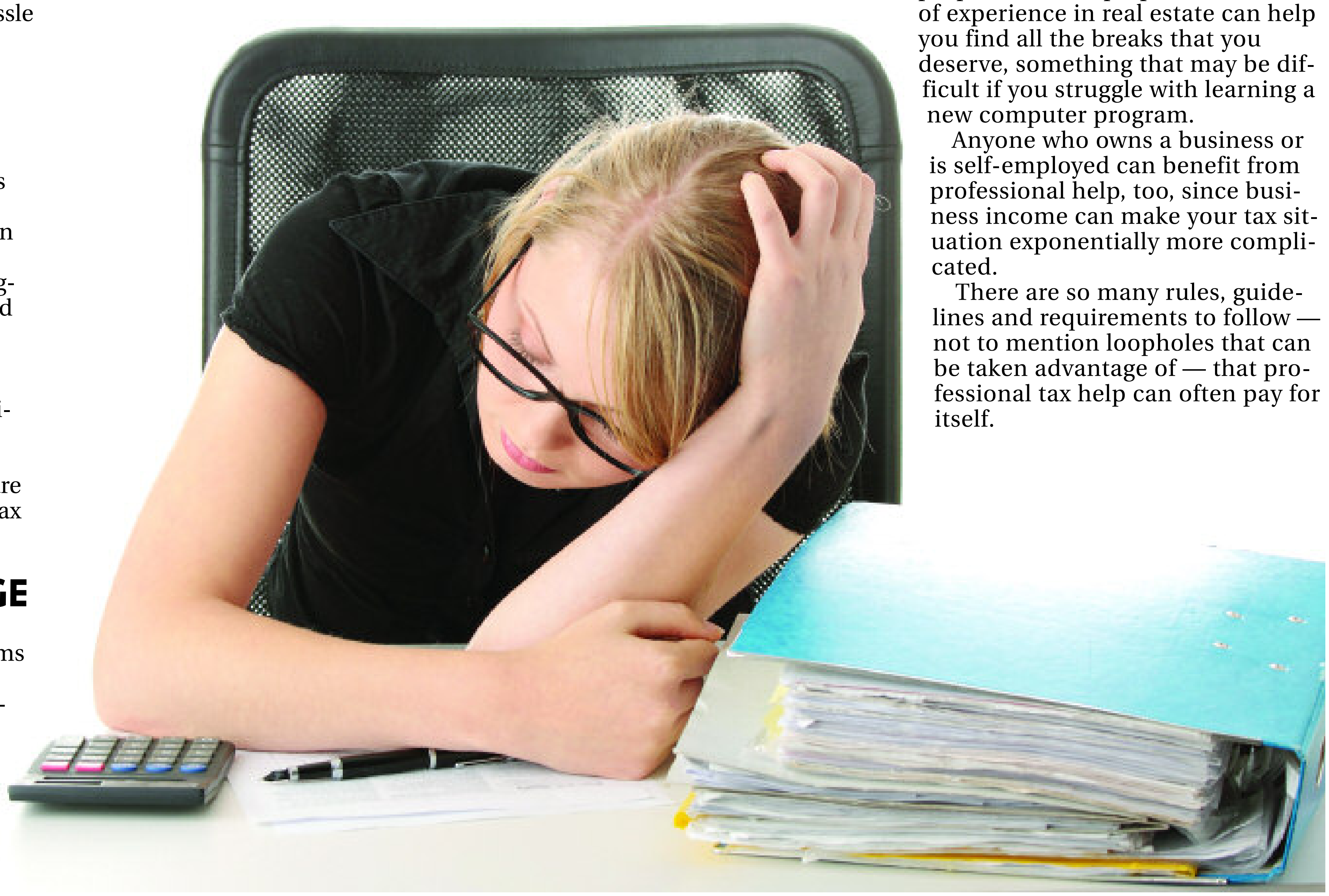
CUSTOM WORK

Another advantage of working with a real human professional is that they can specialize in certain areas of the tax law that apply to you.

For example, if you own rental properties, a tax preparer with lots of experience in real estate can help you find all the breaks that you deserve, something that may be difficult if you struggle with learning a new computer program.

Anyone who owns a business or is self-employed can benefit from professional help, too, since business income can make your tax situation exponentially more complicated.

There are so many rules, guidelines and requirements to follow — not to mention loopholes that can be taken advantage of — that professional tax help can often pay for itself.



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Saving starts early

TEACH CHILDREN TO MAKE WISE FINANCIAL DECISIONS

Learning how to handle money wisely can be tough for adults, but children can get a head start if they get good advice from their parents.

PHOTO: LOVLEAH / YAYMICRO.COM

By starting when your children are young, using age-appropriate tactics, you can help your kids learn how to handle money when they get older — and hopefully avoid some of the mistakes you've made through the years.

START SMALL

Financial goals for children shouldn't start out as a big deal. They may save their spare change for a piece of candy or a cheap toy, and you can start teaching them that it's a good idea to save their money to buy bigger things later.

One simple, time-tested idea is getting your child a piggy bank, or even just a small cardboard box to keep their savings. The important thing is having a special place to set aside money for the future.

You might even help them make a simple system for separating their savings into different categories.

OPEN AN ACCOUNT

Once your child has saved enough money, consider opening a bank account for them.

Many banks and credit unions offer special accounts for children to help them learn to be good savers. As your child ages, their goals — and your involvement in their financial decisions — can become bigger and more important.

They should save with a purpose in mind. Their bank account should be for a specific goal, such as saving for college or buying a car. Many parents choose to match their children's contributions as an incentive to save their money.

TEACH PRINCIPLES

Finally, you should work toward teaching your children the basic principles of handling money. They should learn that when they get money, they should assign it a purpose at the outset — setting aside some for saving, some for giving to charity, and some for spending on themselves.

The specific numbers involved aren't as important as the principles involved. Money ought to be handled with the end goal in mind, not simply spent without any thought to what the future might hold.

You can also use money to teach other life lessons that fit with your family's values. Showing children how their financial decisions can help others — through giving to your church or your favorite non-profit organizations, for example — can be a good way to teach them things that are far more important than cash.