Putting Your Money to Work

By Jean Gordon

The News-Star

For people who have never invested money, terms like "IRA," "401 (k)" and "mutual funds" can make their eyes glaze over.

But by following some basic steps recommended by financial advisers, new investors can start wading through what they might consider to be a financial morass.

Here are the steps:

1. Pay off existing debts such as high-interest rate credit cards.

2. Create an emergency fund Trey Curtis of Progressive Bank with Raymond Financial Services in Monroe recommends saving enough money to cover three to six months worth of bills and living expenses.

"Go into something conservative like a CD," Curtis said, explaining that a CD – or certificate of deposit – will usually guarantee a higher interest rate than a regular savings account. Another difference between a CD and a savings account is that a CD will charge a penalty if the money is withdrawn before the standard one-year period.

3. If your employer sponsors a 401(k) or 403 (b) retirement plan, start contributing to it. These accounts allow investors to make tax-deferred deposits from their paychecks. Income taxes are paid when the money is withdrawn after retirement.

Dean Mailhes, a chartered financial analyst and vice president of Argent Financial Group in Monroe, recommends opening such an account immediately after accepting a job.

"The earlier you start, the earlier you retire," he said.

Mailhes and investors should strive toward saving 10 percent of their annual gross income in tax-deferred accounts.

4. If your employer does not offer a tax-deferred savings plan, Mailhes recommends opening an IRA – or Individual Retirement Account. Such accounts allow investors under 50

years old to save up to $3,000 tax-deferred per year. People 50 and older may contribute up to $3,500 annually.

Roth IRAs allow single investors who earn less than $95,000 to make non-tax-deductible contributions (married investors with a combined income below $150,000 also qualify). But when the principal and earnings are withdrawn at retirement age, the money is 100 tax-free.

5. After you reach the limit to what you can contribute to tax-deferred accounts, Mailhes recommends investing in mutual fund accounts. Mutual fund companies make investments on behalf of investors with similar goals. Financial advisers and certified financial analysts can help people manage their investments. Fee-based advisers generally charge 1 percent of a person's managed assets. However, Mailhes said, they do not make money from the investments they recommend. Non fee-based advisers earn money from the investments they promote.

"Everybody pays a fee," Mailhes said. "It's either hidden or stated."

6. The key to maximizing earnings is to start saving money once you begin working.

"The effect of starting young is you have more time to accumulate money," said Michael Echols of Money Concepts in Monroe. "Compounding is the eight wonder of the world."

The Rev. James Wilson, a minister at Highland Baptist Church in West Monroe, recently implemented a savings plan with his wife.

"We really have a peace we haven't had before," Wilson said. "We have investments and a safety net."

Wilson, 31, said he was inspired by a series of financial broadcasts by a financial advisor. After watching a video simulcast by the adviser, Wilson said he paid off his debts, established an emergency fund and visited an adviser. He said the plan supplements his employer-based savings fund.

For more information on establishing a savings plan, investment plan or estate plan, call Dean Mailhes or one of our Argent Advisors at 1-800-375-4646 or call Dean direct at 318.324.8000.

(This article appeared in the Thursday, Nov. 6, 2003 edition of The News-Star, Section B, page 1.)