Ric's Top 50 Tips

Have your own questions? Call us anytime at 888-PLAN-RIC

Note: Each of Ric's tips addresses a specific aspect of personal finance. The information here is intended solely to raise awareness so you can explore each issue further with a financial professional. Do not act on any of the information here without first considering the risks, taxes and expenses that might be involved.

1. If you want to achieve real wealth, forget about security selection. Focus instead on asset allocation.

Stop trying to pick winners. It doesn't matter what you buy, or when you buy. What counts is how you allocate your money across the 18 major asset classes.

2. Never send in extra mortgage payments.

Your mortgage will not affect your home's value, so send your money where it can grow. That means into investments, not the walls of your house.

3. Never choose investments because they've made a lot of money.

Remember: Past performance is no indication of future results. Watch out if someone is trying to entice you by bragging about how they've done in the past.

4. Want to save for college? Consider a 529 College Savings Plan.

529 plans let you grow money tax-free. And you can use the account for all college expenses, not just tuition, and at any school in the country! There are lots of details, so look into this idea thoroughly.

5. When you get a lump sum of money, invest it all at once, not slowly over time.

Investing all at once is best because the financial markets tend to rise more often than not, so the sooner you invest, the better you're likely to do. And to protect yourself, invest in a highly diversified fashion; don't invest all your money solely into stock mutual funds.

6. Never make an investment decision based on taxes.

Too often, people take big investment risks because they want to avoid taxes. Remember: Taxes are good, because you pay them only when you make money!

7. Always work with a buyer-broker when buying a home.

Realtors always represent the seller, unless you hire a buyer-broker. This type of broker represents you when you are buying a home.

8. Take advantage of dollar cost averaging — but make sure you do it the right way.

The best way to invest is to do so regularly – invest the same amount at regular intervals. Over long periods, especially through down markets, dollar cost averaging can help you get the boost you need to create wealth!

9. Never spend coins.

To save money without really trying, use only paper currency. Collect your change every day, and you'll amass twenty dollars a month with no effort.

10. A 30-year mortgage is better than 15.

With longer mortgages you get a lower monthly payment and a higher tax deduction. The lower cost helps boost your monthly investing, leading to greater wealth!

11. Never buy a home unless you plan to live in it for at least 5 years.

It takes a lot of cash to buy a home. Down payments, settlement charges, moving expenses, decorating, maintenance and repairs all add up. Unless you plan to live there for at least five years, it'll likely be a money loser, not a money maker.

12. Retired and need income from your investments? Forget bonds. Use a systematic withdrawal plan instead.

Your advisor can show you how to receive a steady income from your portfolio. No need to rely on bonds, where the interest you get frequently changes.

13. Pay yourself first.

Next time you pay your bills, write a check to yourself first. You run out of money every month anyway, but at least this way, you'll run out *after* you've saved!

14. Never roll over an IRA to a Roth IRA.

The Roth IRA is a ruse perpetrated on the American public by Congress. It doesn't increase your wealth; all it does s accelerate their tax revenue. Don't move your IRA assets to a Roth.

15. If you insist on annuities, go variable not fixed, and not EIAs.

Fixed annuities give you a fixed return, like a bank CD. Equity index annuities offer you a portion of the stock market's profits. Only variable annuities give you the opportunity to earn the full returns offered by the stock market. And when investing for long periods – stocks are the way to go.

16. Don't name your minor children as heirs.

Minors can't own assets. Have their inheritance placed into a trust until they are old enough to maturely handle the money.

17. Always carry a big, long mortgage — and never pay it off.

Today, carrying a big, long mortgage is the smarter, safer, way to handle your finances.

18. Learn the right way to use supermarket coupons.

If the coupon says SAVE ONE DOLLAR, make sure you do. Don't use that dollar to buy more instead.

19. Never use a bi-weekly mortgage plan.

A bi-weekly mortgage forces you to make thirteen monthly payments every year instead of twelve. Instead, send that thirteenth payment into your investments!

20. The greater the risk, the greater the reward? Nonsense.

The only thing certain about taking greater risk is that you'll get … greater risk. There is no assurance that higher risks lead to higher returns – just ask those who buy lottery tickets. A better approach is to build a diversified portfolio; you're far more likely to get competitive returns with far less risk.

21. Stay away from tuition prepayment plans.

Tuition prepayment plans grow your money only at the rate of inflation, and are valid for only tuition, not room and board, and only at public schools in your state. There are better ways to pay for college.

22. Grandparents! Think twice before setting up a 529 plan for the grandkids!

Grandparents want to help, and likely have the money to do so. But setting up college funds for the grandkids is often a big mistake.

23. Stop pretending your home is the best investment you ever made. It isn't!

Your home is not an investment at all! It's merely a place to live. If it grows in value, consider yourself lucky, not smart.

24. Never buy a mutual fund because it is rated 5 stars.

Even Morningstar admits that the star ratings have no predictive quality. You're as likely to do well with a 1-star fund as with a 5-star fund!

25. Stockbrokers are not financial advisors. The SEC says so.

Stockbrokers are salespeople, not advisors, says the Securities and Exchange Commission. If you want genuine financial advice that is in your best interests, work only with a Registered Investment Advisor.

26. Don't assume you'll pay lower taxes in retirement.

Income taxes rates are rather flat today compared to a decade ago. Chances are your tax rate will not decline once you retire, so plan accordingly.

27. Two words for EE Savings Bonds: Dump 'Em.

The return on U.S. Savings Bonds pales besides that of other long-term investments. If you own savings bonds, consider cashing them in.

28. Worried about future college costs? Forget it! Save for your retirement instead.

Kids can pay off college loans throughout their working career. But you can't pay for retirement while you're *in* retirement! So if it's a choice, there is no choice. Save for retirement first, then college.

29. Don't always assume that both parents must work when raising young children.

Many parents assume that both must work because they need the money. But after factoring in the cost of child care, commuting, wardrobe, lunch – and the hassle factor – sending the second spouse to work might not be the good idea you thought it was.

30. Getting a pension? Be careful if someone tries to sell you insurance instead of taking your pension's joint and survivor option.

Instead of choosing the joint and survivor pension plan, you might be told to take single life pension and buy insurance. This is often not a good idea.

31. Never "invest" in life insurance.

The purpose of life insurance is to protect against a financial loss – not to produce a profit. Buy your insurance, and get your investments separately.

32. Market timing works only for the guy who makes a living selling market timing services.

The only way you can be sure you'll be invested at the right time is to be invested *all* the time. Remember, the key to long-term investment success is your time in, not your timing.

33. Get yourself a charge card.

Credit cards are a great cash flow tool, but if you worry that you don't have the discipline to pay off the balance each month, get a charge card, like the American Express card, which requires you to pay in full every month. That'll help you stay out of trouble!

34. Never title assets between the generations. Mom, never add a child's name to your house, bank account or investments.

If you add your kid's name to your accounts, you could be disinheriting other children and creating huge tax problems.

35. Always work with a Realtor when selling a home.

Would you hire a Realtor who has never sold a house before, knows nothing about real estate law, contract negotiation, or sales? Of course not – but that describes you. Don't hire yourself – hire a real estate sales professional.

36. Never buy investment real estate with borrowed funds.

What happens if the person renting your property fails to pay the rent? You could lose the property! If you want to own a rental, pay cash.

37. Stop paying for private mortgage insurance.

If you have more than 20% equity in your home, cancel your PMI! You'll save hundreds, even thousands, of dollars every year.

38. Do you plan to leave everything to your spouse? Could be a big mistake!

If your spouse remarries, your assets could go to the kids of a person you don't know! Protect your spouse and your kids with a QTIP trust.

39. Got money in a UTMA account? Never save money in your child's name. Get that money out now.

If you save in your child's name, you must give them the money when they turn 18 or 21. Are you sure that's a good idea?

40. Never buy mortgage life insurance.

Mortgage life is a policy that pays off your mortgage if you die. Instead, buy insurance that pays your surviving spouse or kids. They'll need the money more than the mortgage company.

41. For most people, municipal bonds are a terrible idea.

Muni's are tax-free, but they pay lower rates of interest than taxable bonds. If you reinvest at the muni's lower rate, you'll end up with less money than if you invested in a taxable account!

42. Never contribute to a nondeductible IRA account.

You'll be stuck with filing Form 8606, and if you fail to maintain proper records, you could wind up double-paying your income taxes.

43. Are you handling your money the way your parents handled theirs? Big mistake!

The rules of money have changed. If you handle your money the way your parents handled theirs, you will fail where they succeeded.

44. Take Social Security at 62, don't wait till 65.

Taking eighty percent of your Social Security benefit at age sixty-two is more profitable than taking one hundred percent at age sixty-five. When you turn sixty-two, take the money and run.

45. If you've lived in your home for more than three years, it's probably not properly insured.

Your homeowner's policy offers coverage based on the value of your house when you bought it. But if it has grown in value, your policy might no longer be enough to rebuild after a fire. Review your policy now.

46. Place 100% of your retirement plan contributions into stock funds.

Since you add to your company retirement plan in equal amounts with each payment, you're taking advantage of dollar cost averaging. Over long periods, especially through declining markets, this can be an effective approach.

47. Getting a pension? Choose the lump sum option instead.

Your employer might become unable to pay your pension. By taking the lump sum, you take control of your money – and your future.

48. Never buy separate insurance policies on your kids.

We all love our kids, but remember, kids are a debit, not a credit. If your insurance agent wants you to buy a child policy, he's thinking about *his* kids, not yours.

49. Buying long-term care insurance? You probably don't need lifetime benefits.

The average nursing home stay is less than three years. A policy that offers 5 or 6 years of benefits is probably sufficient – and much more affordable.

50. When leasing a car, never pay a cap cost reduction and always obtain gap insurance.

Never make a down payment on a car you don't own – and always get gap insurance to make up the difference between what the car is worth and what the dealer says it's worth.