Preserving Your Assets While You're Alive

By Matthew Crider, JD
Family Protection Attorney

If you're like most people, you're worried about keeping your money. The new mantra on Wall Street is that a "return of your money is the new return on your money." To put it mildly, the markets are presenting a challenge for most investors. Worse, everyone has a different opinion regarding what's likely to happen and, as a result, how you should be investing your money. So what should you do when there's no clear answer?

How Far Are You From Retirement?

If you're still relatively young (35 or under), then you need to have some risk in your portfolio in order to grow your wealth. Without risk, you can't generate returns. However, that doesn't mean risking all of your money, and it certainly doesn't mean you should take unreasonable risks. Consider going "risk on" with thirty or forty percent of your portfolio, and be very clear about the risks you're taking.

For example, if you're investing in stocks, be aware that you are taking market risk, currency risk, macro-economic risk, and the risk of unsavory insider dealings (remember Enron and WorldCom?).

As You Get Closer To Hanging It Up

As you get closer to "calling it a career," you need to take less and less risk with your money. That means transitioning from investments like high growth stocks into more stable investment vehicles that provide consistent income. Dividend stocks and high grade corporate and municipal bonds fit this bill.

As you approach retirement age, you can still take some risk with your portfolio, but the portion of your wealth put at risk should be smaller. Ten percent is a good number to play with, and you can reduce risk by hedging your bets (look up "covered option strategies" as one example).

For Everyone

Once you've retired, the question becomes one of preservation of capital. Just because you're wealth is held entirely in cash doesn't mean you're not taking risk. It's just that the risk changes from market risk to institutional risk. Institutional risk is the risk that the institution holding your money goes out of business (think MF Global).

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Don't kid yourself into finding security in FDIC insurance. If one of the Too Big to fail banks goes out of business, the FDIC has up to 99 years to pay its claim holders. In order to minimize institutional risk, you really need to do your homework. Hold your cash in institutions that have high Tier 1 capital ratios, strong balance sheets, and limited (or, better, zero) foreign sovereign debt or domestic mortgage exposure.

Doing your homework might seem like a daunting task, but you'll sleep better at night knowing that your money is well protected and that your family's needs will always be met.

The Last Puzzle Piece

Once your wealth is protected from market and institutional risk, you need to think about protecting it against the claims of potential creditors (e.g. frivolous lawsuits) and passing it on to your loved ones. We are here to support you in doing that. Our entire business model is built around the task of helping our clients establish and maintain effective estate plans.

If you're ready to get started on a plan, call our office to schedule a Family Wealth Planning Session™. We normally charge $750 for these sessions, but if you are one of the first two people to call our office and mention this article by name, we'll meet with you for free! Don't wait, because the two spots will fill up quickly (they always do!).

About Matthew Crider, J.D.

Matthew Crider formed **Crider Law PC** in 1999 so he could help individuals and business owners by providing creative solutions and be their trusted advisor and legal counselor. He serves his clients by listening closely to their goals, dreams and concerns and working with them to develop superior and comprehensive estate and asset protection plans. His estate planning practice focuses on preserving and growing wealth by providing comprehensive, highly personalized estate planning counsel to couples, families, individuals and businesses.

980 9th Street 16th Floor
Sacramento, California 95814
916.265.0961 p
916.244.7209 f

www.Sacramento-Divorce-Lawyer.com