How the Pros Handle *Their Own* Money

Survey Shows Financial Planners Keep Cool through Tough Times

During economic downturns, the constant stream of advice from financial pundits flows even stronger than usual. With so many voices coming from every direction, investors may have a hard time separating helpful information from biased hype or "chicken little" scare tactics. It leads one to wonder: what are the real experts doing with their own money in these turbulent times?

USAA, a financial services company specializing in serving military families, set out to answer that question with a recent survey of its own financial planning group. USAA polled more than 50 Certified Financial Planners to ask how they were handling their own finances while one of the craziest years on Wall Street came to a close. All of USAA's planners work on a "fee-only" basis and do not earn commissions on clients' investments.

The responses were mixed, but in general, planners were optimistic about the future, while staying mindful of current economic challenges. More specifically, several important trends came to light that could help investors keep their own goals in perspective.

Open Season on Stocks

When asked about the movie title that best represents their view of the current financial environment, the No. 1 pick of USAA planners was "Open Season." Two-thirds of the respondents have bought more stocks in the last few months, and some planners even called the down market "the opportunity of a lifetime."

Why the rosy outlook in the midst of a nationwide financial crisis? "Many investors have taken big hits in this bear market, but there is an upside. When stocks drop like they have across the board, it's a great opportunity to buy at bargain prices," said USAA financial planner J.J. Montanaro. "It's like everything is on sale right now, and when the market recovers, investors who took advantage of the downturn will profit greatly."

Montanaro cautioned, however, that proper diversification and knowing your time horizon are as important as ever.

"The standard rules of investing still apply," he said. "If you're close to retirement age, it's best to keep the bulk of your portfolio in traditionally low-risk assets."

Staying the Course

The survey also revealed that this year's financial roller coaster hasn't shaken the long-term plans of USAA's advisors. Two out of three said they haven't changed their outlook on retirement, and only five percent have moved money out of stocks and bonds and into cash. Moreover, the majority of planners said they aren't checking their retirement accounts more often than they did last year.

Experienced investors know that history and time are on their side. The stock market has always experienced ups and downs, some declines worse than others, but in general it has risen steadily over many years. So the odds are good that a well-structured investment portfolio will recoup its losses and continue to increase in value over the long term.

"The message to investors is to stay involved and aware of your portfolio, but don't panic," said Montanaro. "Focus your energy on what you can control, not checking your account balance every day."

Playing it Safe

Aside from its effect on investing decisions, the economic crunch is also raising questions about regular household budgeting. Most USAA planners said they haven't changed their approach to daily money management in response to economic conditions. But those who have are focused on being prepared for surprises.

That includes cutting back spending on luxuries, such as eating out. And one in three planners said they spent less on holiday gifts this year, with the intent of keeping extra cash available for emergencies.

"At a time when many companies are struggling and laying off workers, it's even more important to keep a cash reserve to cover 3-6 months of expenses," said Montanaro.

Paying off debt is also a smart move in uncertain times. When asked what they'd do if they won $1 million today, most planners said they would pay off their mortgage or other large debts.

Ultimately, every family has unique set of financial circumstances. But the survey of USAA planners offers one lesson that fits any budget or portfolio: the financial pros base their decisions on facts and long-standing principles, not emotional reactions.

"The worst thing to do is to make big financial decisions based on emotion," said Montanaro. "That's why tough times like these are often the best times to get professional advice – for the objective opinion."

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