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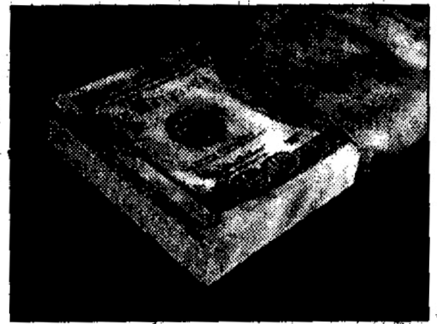
Just how SAFE is YOUR MONEY?

Most people know where to find "safety," that's bank CDs and government bonds. Most people know where to find "opportunity," that's the stock market, and the real estate market. But not everyone knows the formula for how much of your monies should be safe.

Our expert: Sara Finkelstein, Signature Advisory Group, Delray Beach

Regardless of age, everyone needs to have some money that is "safe" and some money that is positioned for "opportunity". Safe money is the money that you deposit into certain financial instruments that you know, no matter what happens in the world, no matter what happens to the economy, that money is safe. It will always be there for you. By the same token, some of your monies need to be positioned for opportunity, for growth, to outpace inflation, among other reasons.

There is a formula for how much of your money needs to be "safe". Do you know what it is? That formula is 100 minus your age. So, if you are 30 years old, 70 percent of your money should be positioned for opportunity and 30 percent should be absolutely safe. If you happen to be 75 years old, 25 percent of your money should be in the market (for opportunity), the bulk of it should be "safe".



RISKY BUSINESS: As you age, keep more of your investments in CDs and government bonds.

Clients who are in their 70s and beyond, are mostly concerned about losing their money. Yet, surprisingly, they keep most, or all, of their money in the market. The market can provide tremendous opportunity for growth, but let's not forget that it also provides risk. When the market is headed upwards, we all feel like we can take the risk. When the market goes in the opposite direction, we feel differently. Rightly so.

As we get older more of our monies need to be safe. Why? Because we may not be able to go back to work for another 30 years to earn it all over again, so we need to be safe.

One of the issues with having your money "safe" is that you may not be able to earn much on your money. Currently, CD rates are very low. After you pay taxes on the interest that you earn on your CD, and after you account for inflation, you may be going backwards instead of forwards.

The good news is that there are financial instruments that offer absolute safety, with some participation in market gains. Are you aware of them and how they can benefit you?

Have a question for Sara? You can e-mail her at sara@signatureadvisorygroup.com or call (561) 503-4803.

— Compiled by Tonya Speciale