

Expert says planning will help ride out banking crisis

Reduce risk level and watch mortgage rates, adviser says

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Investors, don't panic.

That's the overriding message in the wake of Monday's calamitous day on Wall Street after Lehman Brothers Holdings' bankruptcy filing and Merrill Lynch & Co.'s forced sale to Bank of America.

How the everyday investor should react to the stock markets' tumble, notably the Dow Jones average's 504-point drop — the biggest since the 2001 terrorist attacks — depends on age, said Chris Abts, financial adviser at Cornerstone Retirement Group Inc. in Reno.

To younger investors, Abts says:

- Remember that stock markets fluctuate, including Monday's breath-taking fall, but will rise over the long term.

- Monday's deep ebb offers opportunities to buy stocks at bargain prices.

- Monday's results could mean lower interest rates, including adjustable-rate home mortgages. "People definitely need to look at that."

To older investors, especially retirees and those within five years of retiring, Abts says:

- Reassess your goals, including what age you plan to retire and where you'll put your money, and don't forget tax issues.

- Review your investments to be sure you've reduced your risks to your own comfort level.

- Use the "110" rule: Subtract your age from 110, and that's the percentage of your investments that should be in risk ventures, i.e., the stock market.

The rest, he said, should be put where they can't lose value, such as certificates of deposit, annuities and money market accounts.

"If you're lying awake at night worrying, it's safe to say your risk exposure is not in line with your comfort level," Abts said.

He said the Lehman bankruptcy, Merrill Lynch sale and uncertainty over the fate of the world's biggest insurer, AIG, all help to heap worry on an already-rattled investment world.

But, he said, the market always cycles.

"The key is to sit down and create a plan. If you're younger, keep pumping money into your investments. If you're older, have a plan in place, especially if you need every dollar to provide a comfortable retirement."