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Business

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BUSINESS FRIDAY

Adviser: Planning is key to financial success in downturn

BY JESSICA GARCIA

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Christopher Abts, a financial adviser with offices in south Reno, is fielding more phone calls from panicked clients this week than he has during any other time in recent years. Whether it's someone who is in retirement or someone close to it, suddenly people are seeking advice out of fear that they could experience substantial financial losses.

His response to everyone in this steep fluctuation is the same: It's normal. And, more importantly, as long as they have a long-term plan, they can remain financially well off.

"Everything is impacted whether the market is up or down," Abts said. "Whether taxes are up or down, the same issues will always be there."

Since last October, he said, the market has dropped 20 percent. The last major cycle in the late 1990s went up and peaked in January 2000, but declined significantly before making slow gains between 2003 and 2007. It has

turned downward ever since.

And in the current eco-

nomist issue. Everything has a tax impact and the goal should be to reduce taxes, he said.

Income planning: "Someone who's getting close to retiring might need to have a retirement plan to generate income for three to five years," he said. "Also, will you have sufficient assets to generate income?"

Risk tolerance: "Is your risk exposure in line with your risk comfort level?" Abts said. "How much money can you afford to lose? Are you lying awake at night?" Excessive worry or concern about money can indicate that a person is uncomfortable with taking any risks in their investments, he said.

However, depending on which stage of life a person is in, there's no need to panic if they have thoughtfully planned out what steps they can take to ensure a gainful financial future, even in periods of loss.

For example, Abts said that younger singles and married couples who still have careers ahead of them, have time to retain assets and are able to build



Abts, Debra Reid describes the tax benefits of the Roth IRA versus a traditional IRA.

up their portfolios should make the creation of an emergency savings account a priority, pay off "bad debt," such as credit cards, and then start saving for retirement with a 401(k) or IRA.

Now is the opportune time for the younger demographic to invest, he said.

"The fact that your portfolio is going down right now, that should be considered a good thing; you're buying while it's on sale,"

he said. "If you have \$100 to invest and you can buy four

shares for \$25 each, but now your \$100 buys you five shares at \$20 each. That's a sale, isn't it?"

Abts cautioned that a plan is still necessary for the young age bracket because not all investments will have viable returns.

For those who are a few years away from retirement — the group Abts is talking to the most at this time — he said now is critical as the housing market is collapsing and the future of their retirement lifestyle is at risk.

"They're calling because they're concerned how that's going to affect their ability to retire. They want to know, 'Am I going to outlive my money?' That is a far greater risk," he said. "If you wait too long, it's too late."

"I met with somebody yesterday that, at this point, if they had done something earlier, they would have been able to generate the money they needed for their retirement years now," he said. "They need to have a plan of how those dollars are going to help their retirement and what they need to do to grow it and protect it from losses."

His advice is to put that plan together as soon as possible because by the time someone is in their retirement, it's difficult to regain what they have already lost.

To avoid that situation, he urges his clients to ask themselves pertinent questions in preparation for their later years, including how much income they will need, what income sources they have available (investment income, Social Security, pension, etc.), where the income would come from and what actions

they're taking.

Abts suggested seeking assistance from a financial adviser who can offer "unbiased" information or, if they feel comfortable, to do the research for themselves online.

A third-generation adviser whose father has written bestselling books on financial planning, Abts said he was "spoon-fed" information for most of his life.

"Here's how I look at it," Abts said. "A doctor fights a losing battle. A doctor's job is to make you better. ... Eventually a doctor will lose. We as financial advisers go beyond multi-generational planning and show people how to create the wealth, to make that life better, to have the financial security and independence to give back, whatever they want to do in life, how to reduce taxes, how to pass it to the next generation as they have that better life and accomplish great things. We provide a wonderful service to those people."

For more information about Cornerstone Retirement Group, visit www.cornerstoneretirement.com.

And in the current economic state, he warned, there's more to come before the situation can improve.

Monday's turn of events was a huge indicator of such events. According to Associated Press reports, the market took its steepest dive on Monday since the Sept. 11, 2001, attacks, with a 500-point decline in the Dow Jones industrial average. Nearly \$700 billion dissipated from various investment portfolios, including retirement plans and government pension funds. The investment bank Lehman Brothers, formed before the Civil War, filed for bankruptcy on Monday while the American International Group (AIG), the world's largest insurer, was granted an allowance by New York Gov. David Paterson to tap into a subsidiary for an emergency loan to survive.

In these challenging times, financial advisory firms, such as Cornerstone Retirement Group, Inc., of which Abts is president, are urging people all across the board to start planning now to be able to weather the market's ups and downs with confidence and security.

The problem of this week's volatile market, Abts said, stems from the mortgage companies when homeowners are not paying their loans.

"The AIG (insurance) side is not in trouble," Abts said. "The financial side of AIG is. They chose to (invest) in mortgage-backed securities, so if someone doesn't pay their mortgage, someone's stuck holding the bag. Then it trickles out, and starts with mortgages, then real estate goes down, then it goes to Wall Street. It's just a ripple effect."

Even in the midst of an economic downturn, a three-step review process can help assess a person's financial state, provide direction on what they should do to achieve their goals and better secure their financial future, Abts said. The review examines three different areas, including: