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Eight Pillars of Investment Wisdom

You've heard the get-rich-quick stories. How someone won the lottery, started a wildly successful business or made a "killing" in the stock market.

Pay yourself first . . .

Invest to outpace inflation . . .

Diversify . . .

Think long-term.

Is this how real people get money for retirement? The truth is, many people who retire in comfort build their fortunes with slow and steady care. Deciding to save regularly is a crucial first step. Sticking to a savings plan is certainly another. And investing wisely can help any amount of money to grow faster. Let these eight pillars of investment wisdom be your guide.

1. **Pay yourself first.** You're probably already following this advice by participating in your company's retirement savings plan. But are you contributing to the fullest extent allowable? Remember that you could live in retirement for 25 years or more without any salary income. It could take a substantial amount of savings to carry you through for that long.

2. **Start early.** Compounded growth can work wonders for your savings—provided you give it time. Let's say, for example, that you begin saving $100 a month at age 35. Compounded monthly at a hypothetical 8% per year, your savings can grow to $149,036 by age 65. Pretty good, right? You can do better. Begin saving 10 years earlier and the same $100 a month can grow to $349,101—more than twice as much!

3. **Invest to outpace inflation.** A common mistake is to play it too safe. Yes, you are unlikely to ever have a negative return in a money market fund. But, inflation will steadily erode your modest earnings. Saving for retirement is a long-term endeavor and stocks have historically been much better at outpacing inflation over the long term, according to data compiled by Ibbotson Associates. Of course, past performance is no guarantee of future results.

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4. **Diversify**. Consider allocating your money among different kinds of asset classes: money market funds for stability, bonds for income with relative stability of principal and stocks for long-term growth potential. That way, you've reduced your risk of exposure to just one asset class, no matter what the market does.

5. **Invest according to your time horizon.** The growth-oriented investments (i.e., stock funds) tend to be more volatile over short periods. These are good investments to emphasize when you have many years ahead of you. As you get closer to retirement, you have less time to recover from dips in the market. Consider shifting more of the assets you will need to rely on within the next three-five years to investments that fluctuate less, such as bond and money market funds.

6. **Avoid dipping into your tax-deferred savings if you can.** You'll net less than you think because the withdrawn funds become taxable income. And in many instances, you could face an additional 10% early withdrawal penalty if you're not yet age 59-1/2. Plus, any money you spend now is money you won't have later. And you could miss out on years of compounded earnings. If you need the money temporarily, it may be a good decision to take a plan loan (if permitted) and repay it promptly.

7. **Avoid trying to time the market.** If you've ever been tempted to play the stock market with your retirement savings, here's some advice: Don't. Even the experts seldom win at this game. Nor should you shift funds from one account to another simply because one showed higher returns on your latest plan statement. Performance in the immediate past shouldn't be viewed as an indicator of the long-term future. That's because the market frequently undergoes sudden and dramatic shifts. In the long run, performance spikes, both up and down, tend to smooth out. Last quarter's hot investment fund often cools off in the next quarter. Even if you are clever enough, or lucky enough, to switch out of stocks ahead of a downturn, you could very well be late in identifying the recovery. By the time your new choice is put into effect, you may have missed the benefits you'd hoped to reap.

8. **Think long-term.** Don't be alarmed by day-to-day swings in the stock market. For most of us, steady investing and compounded earnings are the keys to successful retirement planning. Decide on an appropriate long-term mix of investments and try to stay the course. You may not build your nest egg in a day, but Rome wasn't built that way, either.

An MAGCS member, Larry is a Registered Representative of AXA Advisors, LLC and Agent of The Equitable Life Assurance Society of the United States.
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