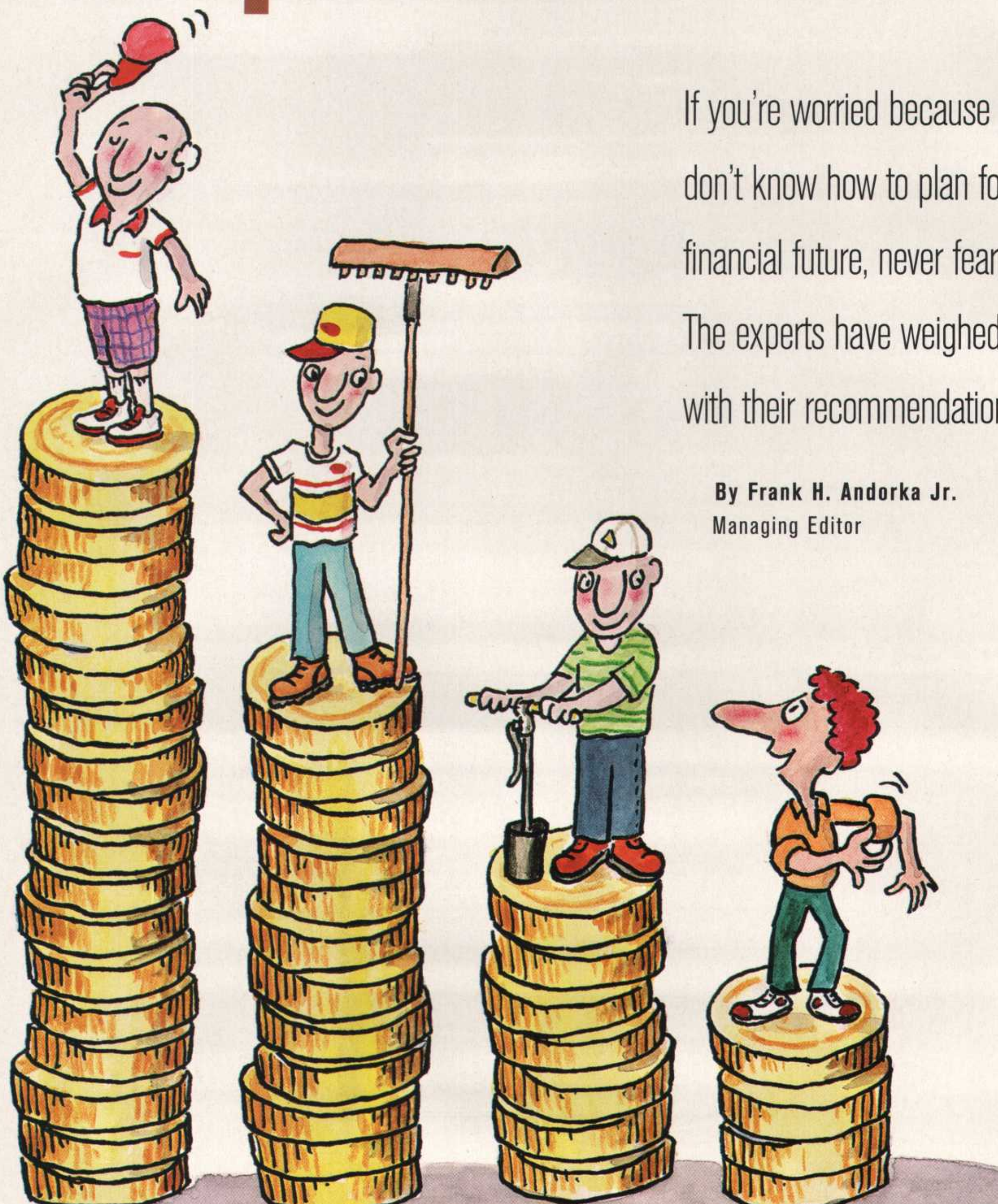
Steps to Smart



If you're worried because you don't know how to plan for your financial future, never fear. The experts have weighed in with their recommendations

By Frank H. Andorka Jr.
Managing Editor

Investing

Jim Nicol, certified superintendent at Hazeltine National Golf Club in Chaska, Minn., remembers the woman who helped him prepare for the inevitable day when he will retire. At the time, Nicol was only 30 years old — a freshly minted superintendent worried about paying his bills each month and having enough left over to live his life, too.

But his advisor, the city treasurer for Coon Rapids, Minn. (which owned Bunker Hills Golf Course, where Nicol got his start) was insistent. She called him into her office, asked him to sit down and uttered the following words: "Jim, you need to start putting some money away for your retirement." Nicol, now 52, has been forever grateful for her advice.

"I was lucky to have her as a resource to plan my financial future," says Nicol, a member of *Golfdom's* editorial advisory board. "She worked out exactly how much would be taken out of my paycheck every month. It seemed like an awful lot at the time [$100 to $200 per paycheck], but I really didn't miss it. I'm in much better shape now because I followed her advice."

ART GLAZER

Nicol's decision to start investing early is exactly what investment advisors tell everyone to do. But when superintendents are fresh out of school and not making a lot of money, saving for something that seems as illusory as retirement (or nonexistent children's education or medical emergencies) may not seem relevant to their daily lives — but actuarial statistics bear out the wisdom of the advice.

One of the inherent problems with the superintendent profession, however, is that superintendents are often forced to figure out how to save money on their own. Structured retirement accounts such as 401(k)s are rare, and superintendents often don't have the time to do extensive research themselves. What this means in practical terms is that superintendents often throw up their hands in despair instead of devising strategies to safeguard their retirements.

Fortunately, help is on the way. *Golfdom* interviewed superintendents and financial experts, who offered four important steps to save for the future: start early, get expert help, be disciplined and remain actively involved in your accounts. If superintendents follow these simple rules, they could be well on their way to securing their financial futures.

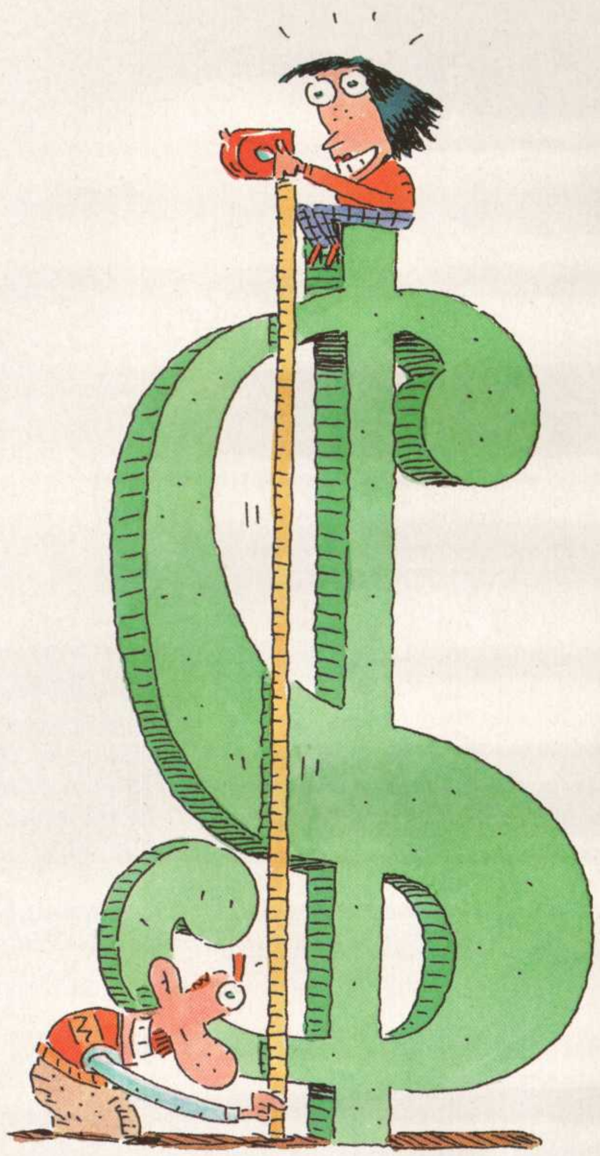
Getting started

Chris Thuer, certified superintendent at Bear Slide Golf Club in Cicero, Ind., did what most investment advisors tell people to do — he went to a financial seminar when he got his first job as an assistant at 25. Unfortunately, he also did what most superintendents do at that age: He didn't follow up on the advice he heard. Five years passed before Thuer decided

Continued on page 34

The Basics

To get you started, check out the following items that will provide you with more information.



ARTVILLE

What's Up With Social Security?

When Social Security was established in 1935, the average life span among Americans was 63. Today the average lifespan is more than 76 years, according to the National Center for Health Statistics.

In 1950, 16.5 workers paid retirement benefits for each retiree. By the year 2030, when Baby Boomers will be leaving the work force in large numbers, the ratio may be approaching two workers to every one retiree. This aging of the population has led some experts to predict that the Social Security system may run out of funds by the year 2041.

Does all of this mean you will have no Social Security to draw on when you retire? Even under the best scenario, the Social Security system was created as the foundation for retirement, but it was never intended to provide total financial security during your retirement years. So the more you can do for yourself to save and invest for retirement, the better off you may be.

SOURCE: AMERICAN EXPRESS FINANCIAL SERVICES

Continued from page 33

to invest his tax refund in a retirement account just to get something going, and he's been putting away money ever since.

"It was hard to get started," Thuer says. "I had limited resources, and there were expenses I had to meet. But now that I've been putting money away for a few years, I regret not having started earlier."

Thuer has broader goals than just saving for retirement. He is saving for his children's future (he has a girl and a boy, ages 5 and 1, respectively). His son suffers from cystic fibrosis, a potentially fatal genetic disease that usually allows its sufferers to live only into their 30s. As his son gets older, the medical bills will continue to accrue. Thuer realizes that he must save money to meet those obligations today and tomorrow.

"I recognize there will be more financial worries down the road," Thuer says. "The time to start dealing with them is before there's a crisis, not after."

Both his current and former employers helped him tremendously by making deposits on his behalf, Thuer says. Though neither course had a formal retirement plan, he gives the payroll department deposit slips, and they make monthly IRA deposits for him. "If it were left up to me, I doubt I would have half as much saved."

Thuer also says it's important to build a savings plan in case he loses his job in the volatile superintendent profession. Chris Mette, a financial advisor and retirement planning specialist for Morgan Stanley, says Thuer is taking the right approach.

"When people come to me to talk about investing, they're often focused too narrowly on retirement," Mette says. "I always tell them to focus on tomorrow but not to forget about today. There are a lot of expenses that they'll be dealing with between now and retirement that they should also pay attention to. That's why the earlier they start, the better."

Phil Shoemaker, superintendent at Desert Highlands Golf Course in Scottsdale, Ariz., says he knows he waited too long to start.

"I'm playing catch-up now," Shoemaker says. "I'm putting everything I can spare into my 401(k), and I preach every day to my crew members that they shouldn't pass up the

Continued on page 36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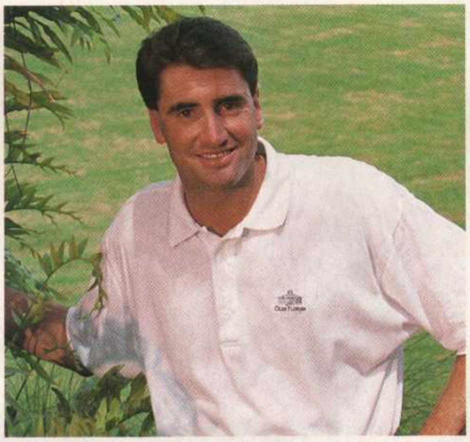
Continued from page 34
401(k) opportunity that the course offers them. I want them to learn from my example."

Find an advisor

Darren Davis, certified superintendent at the Olde Florida Golf Club in Naples, Fla., recommends that his colleagues find a professional to guide them along the investment path. Most superintendents don't have the time or energy to learn the ins and outs of investing on their own, so finding a professional can be a crucial first step.



Darren Davis, certified superintendent at Olde Florida Golf Club in Naples, Fla., says his colleagues should rely on financial professionals for investment advice.

"Don't be afraid to interview a bunch of different people before you settle on one," Davis says. "It has to be someone that you trust completely. You don't want someone handling your money that you're not comfortable with."

Vatsana Inthalansy, one of Davis' advisors, says when clients come into her office, her foremost goal is to listen to what they expect her role to be.

"You want to find out what they're trying to accomplish and what their goals are," says Inthalansy, who is a financial advisor with Merrill Lynch. "I'm not the perfect advisor for everyone, and if I don't think I'm a good fit I will tell someone that."

Inthalansy says it's important for superintendents to figure out how they want to use their money before saving it. Sitting down with a financial advisor can clarify those long- and short-term goals.

"There are different strategies that they should follow that depend on setting clear objectives," Inthalansy says. "The experience of a seasoned advisor can help put things into perspective."

So what should you look for in a financial advisor? Pat Kruchten, senior financial advisor, certified financial planner (CFP) and charted retirement planning consultant for Johnson, Carriar, Vierzba, Kruchten & Associates in St. Cloud, Minn., recommends candidates meet these three criteria:

- at least five years of service in the financial industry (preferably 10);
- a certified financial planner designation; and
- a personal comfort level with the person.

Continued on page 38

What Is a 401(k)?

A 401(k) plan is a retirement savings plan funded by employee contributions and (often) matching contributions from your employer. The plan is called 401(k) because this is the section of the IRS Code that generally describes the program.

A 401(k) is a defined-contribution plan, which means the amount of retirement benefits you receive from the plan will be based on the value of your account at the time of withdrawal. This plan is different from defined-benefit pension plans, where the employer makes contributions and provides benefits based on a formula. The majority of 401(k) programs are participant directed, which gives you more control by generally letting you make your own contributions, investment elections and contribution amount.*

** Taxes are due upon withdrawal. Withdrawals prior to age 59.5 may be subject to a 10 percent IRS penalty.*

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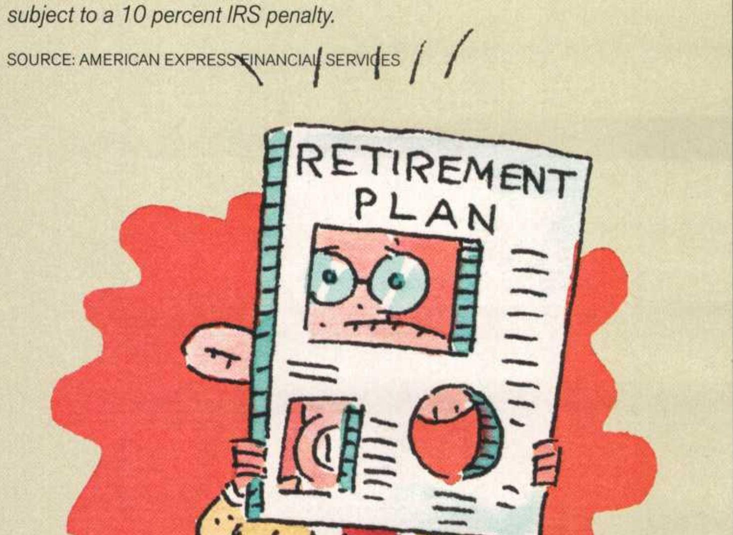

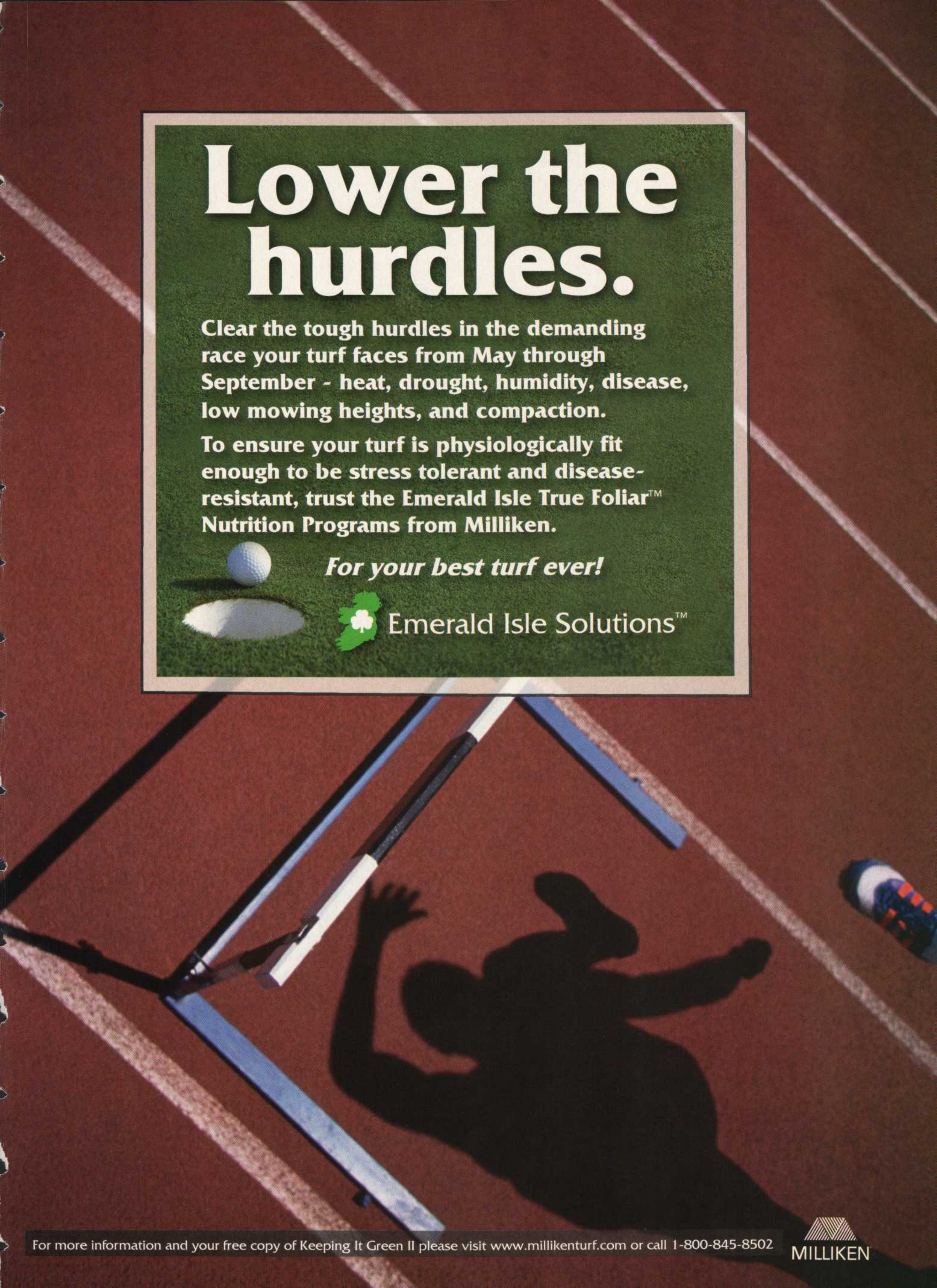
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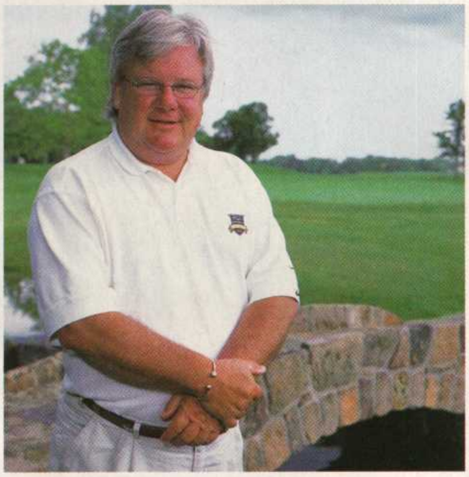
Continued from page 36

"With five years experience, there's a chance the person has seen ups and downs in the market and has some experience in how to deal with them," Kruchten said. "But there's nothing more important than a good personal relationship."

Mette says one of the most important advantages to using financial planners is that they can evaluate investments without emotion. Too many investors make decisions based on the wild fluctuations of the stock market instead of on dispassionate economic realities.

"Ninety percent of successful investing is getting the emotion out of it," Mette says. "That's what financial advisors offer — distance between investors and their money. It may save you from making some bad decisions."



Jim Nicol, certified superintendent at Hazeltine National Golf Club in Chaska, Minn., advises superintendents to start investing early.

Manage Risk in Your Portfolio

To figure out how to manage risk, you must first understand it. Investment risk – or the risk of losing investment value – comes in many forms. The four major components of investment risk are:

- market risk, or the likelihood that a security's value will move in tandem with its overall market;
- interest rate risk, or the risk that the price of a bond will fall with rising interest rates;
- inflation risk, the chance that the purchasing power of an investment will be eroded by inflation; and
- credit risk, which refers to the risk that a bond issuer will not be able to repay its debt when the bond matures.

There is also the risk of investing too conservatively – not getting a high enough return to provide for your financial future.

To effectively manage these elements of portfolio risk, you need to evaluate your personal investment goals, and match these goals to your portfolio risks. Factors such as your investment time horizon and risk-comfort level also must be considered. These will determine what kinds and how much risk you are willing to take.

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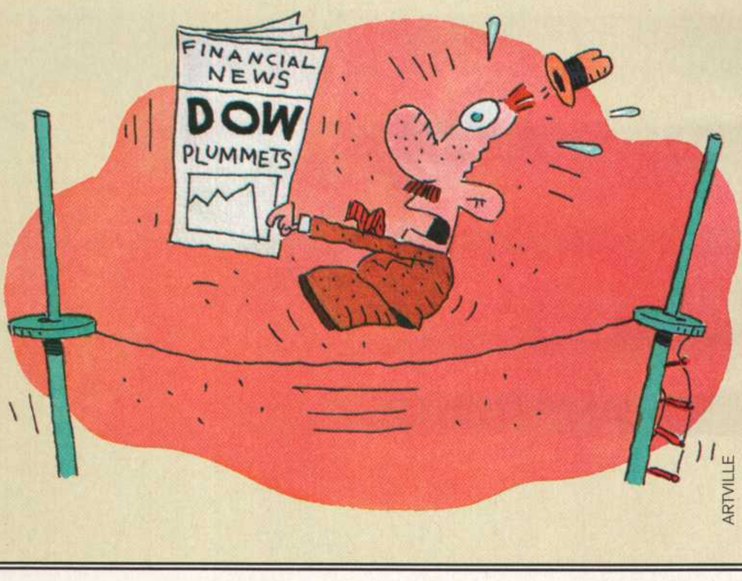

Money (amount) no object

If superintendents think they have to put away huge amounts of money to start a retirement account, think again. Although Nicol started his investment by putting away between $100 and $200 per paycheck, Thuer started by putting away $15 per week.

"It wasn't a lot of money, but it got me into the habit," Thuer says. "That's what it takes to build a nest egg — a disciplined approach to what you're putting in."

Nicol suggests superintendents ask their courses' controllers to figure out how much they can afford to put away.

"You don't have to put thousands away at first," Nicol says. "Pick a figure, and then ask the controller to figure out how much less you'd receive in each paycheck. People will be surprised at how little it will affect their overall take-home pay."

If the course offers a 401K, superintendents are foolish not to get involved, Shoemaker says. Most employers match employee contributions up to a limit, so if superintendents don't contribute, they're leaving money on the table.

As a general rule, if superintendents start saving 5 percent of their income in their early 30s, then they will likely get by in retirement, Kruchten says. If they save 10 percent, the money will provide them with a comfortable

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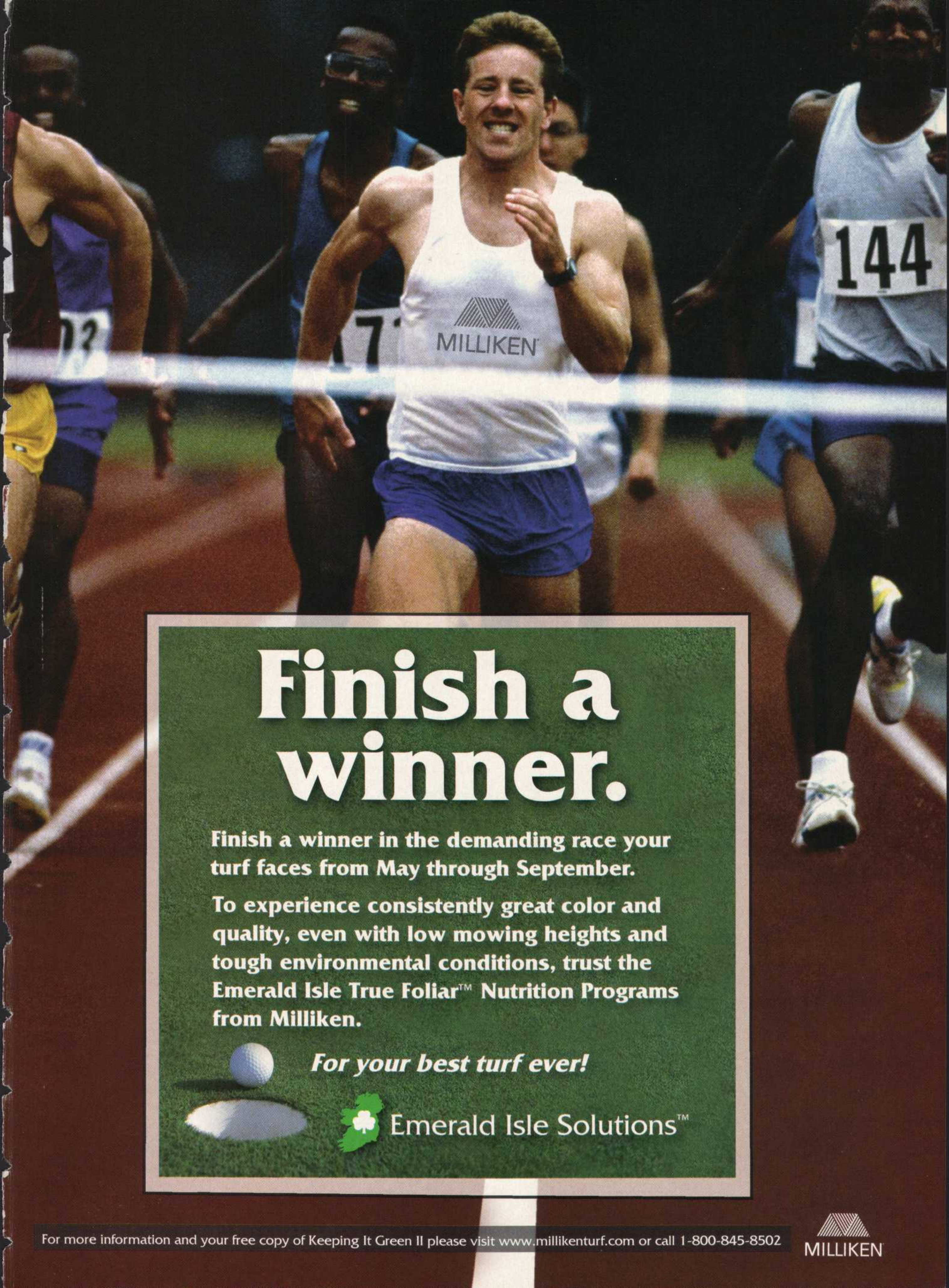

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Continued from page 38

retirement. If they can save as much as 15 percent, they'll be in great shape.

"I've never run into anyone who thought he started saving too early," Kruchten says. "It's something people need to do as soon as possible."

Kruchten offers the following idea for superintendents whose courses are wary of setting up full-fledged 401(k) plans because of the expenses involved: Ask the course if it would consider matching contributions to a private IRA. "It saves the course the trouble and expense of setting up a full 401(k) program, but allows it to help you out with retirement."

Don't stay static

The temptation may be that once superintendents get started, they can leave their money alone in their investment funds and not worry about it again. That would be a mistake, Inthalansy says.

"You should actively manage your accounts," Inthalansy says. "Circumstances change and goals change. You want to be able to make adjustments as necessary so you still make your goals, whatever they are."

Inthalansy urges superintendents to meet with their advisors at least annually, though she

Continued on page 42

The Low-Down on Individual Retirement Accounts (IRAs)

Traditional IRA – Contributions can be tax deductible, and any earnings grow tax-deferred. Individuals with earned income may contribute up to $3,000 annually (in 2003 and 2004). If you're over 50, you may make catch-up contributions.

Roth IRAs – Created as an alternative to traditional IRAs, Roth contributions are not tax-deductible, although any earnings grow tax-free. This means paying taxes now to enjoy tax-free income in retirement. You must meet certain income limits to qualify.

Spousal IRA – Spousal IRAs are designed to help nonworking spouses save for retirement by investing in a traditional or Roth IRA. In 2003 and 2004, couples can contribute up to $6,000 ($7,000 if they are both over age 50), as long as the total IRA contribution is less than their total earned income.

Rollover IRA – A Rollover IRA is a great way for someone who is changing jobs or retiring to continue to receive the same tax advantages as he had with an employer-sponsored plan like a 401(k). All assets in the plan are simply "rolled over" to an IRA, where any earnings can remain tax-deferred. Plus, an IRA generally offers more investment options and flexibility. Investors can also "roll over" a number of individual IRAs into one Rollover IRA if they are interested in simplifying and consolidating accounts.

SEP IRA – Simplified Employee Pension, or SEP IRAs, are tax-deferred retirement plans for self-employed individuals or small companies. SEP IRA contributions are made by the employer (or by the self-employed individual). This plan does not allow for employee contributions unless the plan was established before 1997.

SIMPLE IRA – A Savings Incentive Match Plan for Employees, or SIMPLE IRA, is a tax-deferred retirement plan available to self-employed individuals or small businesses (those with fewer than 100 employees) that have no other retirement plan. Contributions are made by both the employer and the employee. This plan must be established by the employer.

SOURCE: AMERICAN EXPRESS FINANCIAL SERVICES