Studies show that younger investors are **afraid to wade** into the uncertain financial waters.

Navigating Today's Tumultuous Economy

By Natalie Tindall

I HAVE A TERRIBLE SECRET that I'm finally willing to share: I know nothing about money. I know the basics: the dimensions of a bill, the differences between a nickel and a quarter, how my purse feels when I've dropped too many coins in it. For all the money magazines I buy, I still abstain from taking a proactive investing strategy. I don't like risk. I can't handle watching the news when the Dow takes a mighty, or even slight, tumble.

And I'm not the only one.

Recent studies indicate that Gen X investors are far more conservative about investing than their parents' generation, largely due to the housing and financial crises. The 2011 eRollover/Siena College Research Institute poll found that financial preparedness is weak even among the most affluent, but frighteningly low among low-earners between the ages of 29 and 49, and that overall, young adults are worried about not saving enough for retirement. Studies from MFS Investment Management and Merrill Lynch found younger adults shunned risk and felt uncomfortable dipping their toes into the stock market.

The turbulence of the stock market and the financial world helped to shape this phenomenon, according to Karen Lee, an Atlanta-based financial planner. "So much of how we feel about money is embedded in our life experience," said Karen, the owner of Karen Lee and Associates, LLC. "Gen X investors have lived through two severe market downturns (2000-2003 and 2008-2009) and are simply gun-shy of the stock market. And these market crashes happened early in their investing experience, not years after watching significant gains add up on their investments."

Other financial planners and advisers agree, including JLA member Valerie Fricks, a financial planner with Capstone Financial Partners. Valerie has noticed a generational difference between Gen X and Gen Y. "Gen Y is even more conservative than Gen X, and it is not uncommon for a Gen Yer to say that they do not want to invest in the stock market at all, and instead want to keep money in their savings account."

The bias against investing in stocks and aversion to risk may hurt rather than help young adults over the longer course of their lives. "What they do not realize is that this is a risky strategy as well, because savings accounts earn a rate of return lower than the rate of inflation," said Valerie.

Not only are there generational differences related to investing but also gender differences. Many planners noticed that women are more risk averse than men. Crystal Stevens, a certified financial planner with the Creative Financial Group, observed, "In general, it is often harder for females to take the first steps. I believe they are more concerned with making the wrong decision, which may stifle their ability to move forward. Many women get bogged down with details trying to make the right decision which may paralyze them in the process." However, Karen cautioned, "Individual personalities must always be taken into consideration."

Some of the bias can be overcome through education. Crystal believes that knowing your goals and learning about the financial markets are keys to investing success at any age. "You always hear how important it is to start young, but you do not hear as much about the importance of educating yourself," said Crystal.

To start, young women in Gen X and Gen Y should have a firm understanding of who they are and what they want to do. **Know thyself.** "Every person has different goals, a different timeline, and a different amount of money that they can save. It is very important to create an individualized plan," said Valerie.

You can **start now.** Ornella Grosz, author of "Moneylicious: A Financial Clue for Generation Y," advises women to forget the past and focus on the present and the future. "If you haven't started to invest, start now. You have time to invest which is your greatest asset," she said. Crystal agreed: "By starting early and investing smartly, [investors] have time on their side to weather these downturns in the market."

Educate yourself, advised Terrell Dinkins, a financial advisor with Peachtree Planning. **"**Invest in yourself by educating yourself on the different vehicles available for saving and investing. Reading gives you enough ammunition to ask the right questions."

Start small and build on it. The recommended savings amount is ten percent of your income. If you can't do that, you should invest something in a savings account.

Make savings automatic and first. All the planners interviewed for this article indicated that saving money should be the first "bill" you pay automatically each month. "Saving for retirement should be looked at as an obligation no different than a mortgage," said Karen. Crystal believes that investors should set up automatic savings so that money each month is directed into a savings account, 401(k), Roth IRA, and/or other investment account.

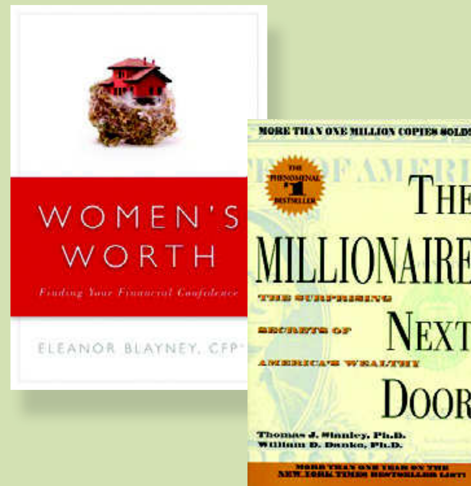
Have an emergency fund. In your 20s, you should start building this fund, but anyone can start at any time. This fund has enough money set aside for unexpected expenses or to bridge the gap if you were to lose your job.

Use the 401(k) and 403(b) options. A 401(k) plan is a tax-deferred vehicle, Valerie explained. "Whatever amount of income you contribute this year is money that you do not have to pay tax on this year. For example, if you make $50,000 in income, and you contribute $5,000 of that income to your 401(k) plan, you will only have to pay taxes on $45,000 of income this year." David Lindvig, a partner in Peachtree Wealth Advisors, considers these plans an excellent way to save for retirement. "Many employers have a matching program that will fund your account with an employer contribution based on your savings rate. This is the equivalent to receiving a pay raise and saving it all in your retirement account." said David. Crystal agreed, "There is also potential for 'free money' if the employer offers a match on contributions to the plan. It is amazing how many people do not take full advantage of this company match," but she also cautions her clients to know the advantages and disadvantages of their companies' plan options.

And finally, seek help from a trusted source. "If you are not sure about your choices in types of accounts or investments within the accounts, seek advice and do not let your uncertainty delay investing for the future," said Crystal.

Financial Websites for Women

www.dailyworth.com
www.learnvest.com
www.msmoney.com
www.smartcookies.com



Further Reading

"A great book for women to read is 'Women's Worth: Finding Your Financial Confidence' by Eleanor Blayney. I also believe the Dave Ramsey series is great to help people manage their debt and begin setting aside for retirement." –Crystal Stevens, certified financial planner with the Creative Financial Group

"One of my all time favorite books to read is 'The Millionaire Next Door: Surprising Secrets of America's Wealthy' by Thomas J. Stanley and William Danko. This book prepares your mind to think differently about money and discusses how those who have it don't always flaunt it. You really get a great grasp on why immediate gratification is not always best." –Terrell Dinkins, financial advisor with Peachtree Planning