Everything Jersey

# Ask the Biz Brain

Sunday, May 16, 2004

My almost 20-year-old son recently received a settlement of $100,000. I would appreciate your advice regarding investment of this money. We are interested in both appreciation and security.

-- Concerned Parent

How soon do you need the money? Will you spend it on college, a car, a vacation or a house, or is this your retirement nest egg? And just how do you feel about risk, anyway?

Those are the questions the Biz Brain heard from financial experts, who say the answers will determine whether you should go after for appreciation -- and accept more risk -- or security, and live with lower returns.

"If he needs the money in the next five years, keep it very conservative -- a bank savings account, a money-market mutual fund or a short-term bond fund," said Marnie Aznar, a financial planner in Morris Plains. "But if he doesn't need the money for six or seven years, I'd advise building a well-diversified portfolio of stocks and bonds. If this is retirement money, he could put 80 percent in stocks and 20 percent in bonds."

Another option is splitting the $100,000 among investments with varying levels of risk and return.

Financial adviser Robert Walsh of Lighthouse Financial Advisors in Jersey City suggested putting $30,000 in a U.S. Treasury I bond yielding 3.39 percent, indexed to inflation; $25,000 in a stock and bond fund, such as the Dodge and Cox Balanced Fund; and the remaining $45,000 in a money market mutual fund or a savings account.

"The funds in the money market can be used to purchase his first home," Walsh said.

Resist the urge to rush out and buy a fancy sports car; instead, set aside an emergency fund covering three to six months of living expenses, advised Tom Orecchio, a financial planner with Greenbaum and Orecchio in Old Tappan. And be sure you have enough health and auto insurance, since "A good investment plan can disappear if you have not properly accounted for other risks in your life."

-- Beth Fitzgerald