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It's not what you make, it's what you keep

MARIO NARDONE / PUBLISHED: FEBRUARY 5, 2015

By Mario Nardone



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Sometimes brilliance appears when you least expect it; in this case I was enjoying a delicious breakfast with my parents at the White House Diner in Forty Fort over the holidays. The owner, Jeff, whom I've known for 20 years since our days at Bloomsburg University, sat within conversational distance at the counter. We started talking about business in general and the topic turned to mine - investments and personal finance. In somewhat of a departure from breakfast-counter talk about the stock market, Jeff and I ultimately agreed that the typical chatter is ill-focused. And that's when he said "I learned long ago that it's not about what you make, it's about what you keep." The "it" here was financial well-being.

To clarify, we're not talking about philanthropic giving, which we agree is admirable and important to society. In that instance, by all means, give what you can! What we were talking about is a number of simple ways everyday folks can significantly improve their financial condition. Some of these include only taking investment risks you need and can afford, avoiding emotional responses to money decisions, steering clear of bad types of debt, and keeping

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Local company lands another Olympic deal, hopes for medal

Even with the Olympics well underway, Scott Twp. company MyHouse Sports landed another team of athletes as a client — wrestling powerhouse Cuba. (read more)

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investment costs (e.g. taxes and fees) low, but the one we discussed the most was living within one's means.

Across the table from me sat the perfect example(s) of this. Sometimes I like to think it's because they have a great financial advisor, but I'm not sure I can take much (notice I didn't say "all?") of the credit for my parents' financial situation. Even though neither of them earned a six-figure salary or ever owned an individual stock, they were able to retire comfortably at age 60-ish with no debt, are not losing sleep over money issues or required home improvements, and can pay for little luxuries like someone to cut the grass and shovel the snow, although I hear they still do the latter against my strong urging — but I digress.

Here's a little peek into why and how this is possible.

It wasn't before leaving breakfast that I offered to take them out to dinner for their anniversary. While naming all the "nice" area restaurants I could think of, they basically rolled their eyes at every one...their eyes saying "why should we spend all that money when we can have just as good a time and meal, or better, at a place that doesn't charge an arm and a leg, or just eat at home?"

I was reluctant at first because I wanted to treat them to something nicer but it didn't take long for it to sink in that this is the type of thinking that helped put them in their present, comfortable situation in the first place.

Regarding the other ways of keeping more, my folks followed those rules too, this time maybe with a little help. The most important one was not putting cash they would need in the foreseeable future into stocks or other risky investments, and that the ratio of diversified holdings in stocks, bonds, and cash is the primary driver of long-term investment results. The flip-side to this strategy is what I and others call the "conventional" approach to investing — trying to predict where a company stock or "the market" is heading to find the right time to get in or get out, which has proven to be a fool's errand time and again. Instead, my parents followed a disciplined approach to saving and investing in long-term strategies in good times and in bad, used low-cost, tax-efficient accounts and mutual funds, and didn't panic when markets gyrated... although I might have gotten a call here or there for reassurance. While an annuity plays a small but stabilizing role in their strategy, they also avoided being sold financial products that didn't fit their needs and weren't worth the cost.

To be sure, I'm not suggesting that every time you go to the White House you'll get free nuggets of wisdom with your delicious sausage-and-pepper omelet. Nonetheless, I felt it was worth sharing this great example of how everyday people can improve their chances of financial well-being and alleviate some stress by following a few very simple strategies.

Now, if they would only spend a few bucks and stop shoveling that snow....

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