Tampa Bay Times

BUSINESS

Tips to not continue as young, penniless

BY CAROLYN BIGDA
Chicago Tribune

When I was in my early 20s, I was living in a mouse-infested apartment and counting every penny.

If you're young and in a similar situation, let me tell you from experience: There's hope! Your diet, one day, will include more than ramen noodle packs, and you won't have to snuggle up with a mouse at night.

But a better financial future takes effort and good advice.

Be realistic about student loans: Many students need to borrow money to pay for college. But Mark Kantrowitz, a student loan expert, said it's imperative to keep that debt "in synch" with your potential income.

"Education debt may be good debt because it is an investment in your future, but too much of a good thing can hurt you," he said.

His suggestion: Keep your total student loan debt to less than your projected annual salary after graduation. (You can find a number of salary estimator tools online.) Do so, and you will be able to repay your student loans in 10 years or less, Kantrowitz said.

Think about your career early: You don't have to decide on a career as a freshman, but it's a good idea to start exploring the possibilities early, said Philip Gardner, director of the Collegiate Employment Research Institute at Michigan State University.

"Professional and academic development are now tightly intertwined," he said. "So the transition into the workplace begins on day one in college."

If you put off job-search steps — such as doing internships, attending career fairs and networking — getting work after graduation will be much more difficult.

Respect the dollar: You don't have to be a miser like Ebenezer Scrooge, but you will work hard for the money you earn. Keeping tabs on how you spend those dollars will help you make the most of them, said Bonnie Sewell, a financial planner in Leesburg, Va.

"Every dollar counts and is counted," she said.

Be disciplined: Saving is one of the most important things you can do when you're young. By starting early and doing it regularly, you will form a habit that serves you for a lifetime.

You also will take advantage of compound interest. And to make the most of it, "You want to minimize expenses and emotions and maximize diversification and discipline," said Allan Roth, a financial planner in Colorado Springs, Colo.

He explained: "Expenses take from returns, and our emotions make us buy high and sell low. Diversification helps us own everything rather than buying what's 'hot,' and discipline makes us rebalance to buy stocks when the market is down and sell when it's up."

Don't fear risk: Speaking of up-and-down markets, William Bernstein, an investment adviser and author of several investing books, said young investors should not dread market losses.

"Twenty-somethings should get down on their knees and pray for a long brutal bear market. They should ardently embrace risk so that they can acquire stocks cheaply," he said. "Because when those stocks rise, you'll be far richer than if you had bought at higher prices.

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Take stock

Even during retirement, most of your portfolio should be in stocks.

BY DAVID A. LEVINE
New York Times

Whatever your age, how much of your investments should be in equities? Should it be 30 percent? 60 percent? 90 percent?

No less an authority than Warren Buffett has stated that 90 percent is the right answer. That's a level of investment in stocks that many investors, not just older ones, find dangerously uncomfortable, particularly when the stock market is as volatile as it has been lately. Yet Buffett, the most renowned investor of our time, established a trust for his wife that puts 10 percent of his bequest in short-term government bonds with the remainder invested in a broad-based stock index fund.

But even Buffett's advice may be too conservative. Indeed — except for known, near-term financial obligations like a large tax bill that you might owe on April 15 or a down payment on a house you're buying in the next few months — the best asset allocation, nearly all the time, is 100 percent stocks.

You may wonder if I put my money where my mouth is. I do. As long ago as the late 1970s, I was investing 95 to 100 percent of my liquid assets in common stocks. This didn't change even when I ran the bond department at my old firm during the 1980s. And it remains true today.

If one of my clients happened to ask me what I thought their proper asset allocation should be, I would tell them that, despite my job, I was almost 100 percent invested in stocks myself. I even suggested that they take away the money we were managing and turn it over to our firm's equity money managers.

Many investors simply cannot stomach the volatility that a 100 percent equity portfolio entails. And, so, what I actually say to people who ask my advice is this: Put as much money into the stock market as you can stand. One hundred percent is best, but even if you are very risk-averse, allocate at least 75 percent to stocks.

There are reams of data showing the superior performance of the stock market over many generations. In the last 90 years, according to Morningstar, stocks have outperformed long-term Treasury bonds, on average, by 4.4 percentage points a year. They have done even better against intermediate- and short-term Treasuries, 4.8 and 6.6 percentage points.

That kind of performance edge (compounded) really adds up. Let's say you invest some money in stocks halfway through your working career (say, at age 45) and spend those particular savings halfway through your retirement (say, at age 75). If your investment does 4.4 percentage points better per year than the next person's, you will have more than three-and-a-half times as much money to spend as they will.

Of course, "past performance," as we are constantly reminded, "is not necessarily indicative of future results."

Stocks vs. bonds

Over the long term, according to a study of rolling periods based on data provided by Morningstar, stocks have almost always outperformed bonds. Even among shorter holding periods, stocks still outperformed bonds more often than not.

Percentage, on average, that stocks outperform fixed-income investments: 1926-2015

Holding period	Long-term bonds	Intermediate-term bonds	Treasury bills
12 months	63%	66%	70%
5 years	71	72	76
10 years	83	81	84
20 years	93	98	100
30 years	99	100	100

Source: Morningstar — New York Times

And that's true: For a variety of reasons, I think you should not expect a broad portfolio of stocks to outperform bonds by as much in the future as they have in the past.

So, is there some other justification besides the reams of data? Consider this:

• Money invested in a U.S. total stock index fund will be used to buy shares of thousands of companies in dozens of industries. At this writing, every $2 million represents an ownership interest of approximately one-ten-millionth of almost the entire United States economy.

Economic potential never drops because knowledge — the main source of per capita growth — always rises. Technology (knowledge embedded in machines) gets better because we invest in research and development and never (at least intentionally) replace a good machine with an inferior one. Moreover, the capability of the average worker (knowledge embedded in our brains) keeps rising because average educational and training levels continue to rise.

• But what if the absolute worst happened? A pandemic of epic proportions, a nuclear holocaust or the Earth is hit by an asteroid?

Yes, your stocks will collapse but your bonds will be worthless, too. If there is no functioning modern economy, the government will not be able to pay its debts. And if you're still around, you'll have bigger things to worry about.

David A. Levine is a former chief economist at Sanford C. Bernstein & Company, now a unit of AllianceBernstein, who also founded and ran the firm's fixed-income department.

Q&A | Jay Timmons

Making pitch for increase in manufacturing in Florida

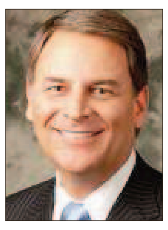
BY THAD MOORE
Times Staff Writer

Florida isn't known for manufacturing.

The state has built a reputation for aerospace and biomedical manufacturing, but that accounts for only about 4 percent of the state's jobs, less than half the national rate and one of the lowest in the country. And images of big factories don't jive with images of Florida as a tourist haven full of beaches and orange groves.

Still, the manufacturing industry wants to be heard here, and Florida's central role in the presidential election drew a visit recently from the head of the National Association of Manufacturers, an industry trade group that is among the most well-heeled advocacy groups in Washington.

Jay Timmons, the association's president, visited with business leaders at Port Tampa Bay to promote the group's agenda, saying he hoped presidential candidates would make manufacturing a priority as they swing through the state.



Jay Timmons leads an industry organization.

The *Tampa Bay Times* sat down with Timmons and Tom Feeney, a former Florida House speaker and president of the Associated Industries of Florida, the association's state affiliate.

Florida isn't particularly known for manufacturing. So, why are you here?

Timmons: Florida is obviously a very key state in a national election year like this one, and we want to make sure that as folks start to focus on Florida that the candidates who are here are talking about the imperative for a strong manufacturing agenda that will obviously grow the economy and create jobs.

Feeney: ... Florida is a little bit unique in that when I first got elected to the state House, manufacturing wasn't a priority for many policymakers. We were basically agribusiness, so citrus and the orange state. We were tourism. And in some ways, manufacturing was seen as inconsistent — trucks and dirt and pollution issues. And finally it was building communities, especially retirement communities, none of which lent itself naturally to being a primary spot to do serious manufacturing. What's changed is the jobs have become much more high-tech, sophisticated, high-paying.

What challenges are unique to Florida?

Feeney: Most of the challenges Florida has are similar to national manufacturers, whether it's the skills gap or competitive energy pricing or whether it's fighting off unreasonable mandates by the Department of Labor. ... Florida has some unique aspects. On the downside, we've got unique water issues. Our state is different than the other states. When the EPA mandates were talked about, most of my (manufacturing advocacy) colleagues in 49 states, they're thinking about coal emissions and air. Florida thinks first and foremost about the threats from the EPA of micromanaging our water. But just like we have challenges, we have opportunities. There are great manufacturing states that don't have any deep water ports, let alone 14. ... The governor is in the right spot, we've got great legislative leadership, and we really see nothing but upside for manufacturing in Florida.

Timmons: And that leadership matters. I mean, if a state is serious about growing the manufacturing base, it's because the governor is setting the agenda, setting the tone. And from our perspective, we want a president that's doing exactly that. There's a tremendous amount of competition for our jobs and investment in other countries, and we want to keep them here.

How much can elected officials really do to attract industry?

Timmons: Manufacturers want to go where the cost of doing business is the most competitive. So you've got this national cost structure that you've got to deal with, and then you're going to look at the differences between the states and what you can find in those states. And yes, incentives are one piece of that puzzle. Taxes are another, the cost of regulations are another, the cost of energy is another. But significantly, and I'm hearing it more and more everywhere in the country, it's really the workforce. Are the primary and secondary (schools), as well as the institutions of higher education, focusing on the right curriculum to be able to train prospective employees? Manufacturing today ... is very technology-infused, technology-driven, and there's a need for science and technology and engineering and mathematics on the technological side of it. It's far more than I think really anybody, far more than many folks had thought was going to be necessary this soon. The advances are just continuing at a dizzying pace. If you look at the "Internet of things" and how that's now being infused into almost everything in our lives, including every manufacturing process and manufactured device, it's pretty important to have those skill sets to be able to deal with it.

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