

## Opinion

# Study options to investing for retirement

## LEAD COMMENT



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### ABOUT THE AUTHOR

Eldon Bish is a graduate of Hastings College with a degree in business administration, Saint Mary's College with an associate degree in nursing and Creighton University with a master's in business administration. He manages E.L. Bish Grain and Stock Farms Inc., which raises seed corn, soybeans and wheat. He also does financial and business consulting, and is a stock investor. He was senior manager for strategic planning, in charge of new product and system development at Quest Communications, where he worked for 15 years before moving back to manage the family farm. He leads a Canadian Wilderness church camp for youth and adults, is past president of the Giltner Public School Board and financial ministry chairman at his church. Eldon and his wife, Cathy, have two daughters in high school.

### QUESTION

What do you need to consider now in terms of investment decisions as you look ahead to retirement?

### ANSWER

I would like to start with a philosophical thought about finances and then move into the practical steps to set up a financial retirement plan. Proverbs 21:20 says "In the house of the wise are stores of choice food and oil. But the foolish man devours all he has."

There are several important points made by this proverb. The key is saving for the future and living below your present means. A wise person saves for a day when they may have an emergency, loss of income or other life-changing event. Having reserves will not eliminate bad things from happening in life, but financial concerns will be more manageable and less of an emergency.

The foolish person will spend all they have because of an easy-credit mentality, a desire to keep up with the neighbor, or a desire to have it all now. The fool with no reserves is subject to having any financial concern become an emergency, and with no options, the fool tends to be forced to make other poor financial decisions.

The practical steps are easy because saving for retirement is like a crock-pot — slow and steady — versus a microwave — fast and furious.

The first step is getting started and keeping it simple. Make a written monthly budget, save to get \$1,000 in the bank, then save so you have three to six months in emergency funds, and

get out of debt. Many people will have a loan on their house, and your business may need loans to do normal operations, but being on a budget will shrink these because you have a plan for how every dollar is going to be spent.

Do the budget with your spouse or, if single, a trusted friend. Your first budget may not be very close to reality, but in three to six months it will be amazingly close, and you will have a purpose for every dollar you spend.

Now that you have the foundation laid for your financial life, the next step is building wealth. The same rules apply here — get started and keep it simple. Invest 15% to 20% of your income on a regular basis and diversify your money. Don't put all your money in one investment. Diversification lowers risk.

Buying a single stock is high risk since you are buying a small ownership stake in a company without any diversification. Mutual funds are a preferred method of investing as they provide diversification and lower risk. A mutual fund is where investors pool their money, and professional money managers who eat, breathe and live to invest in stocks manage a diversified portfolio.

Here's a suggested order of investing savings:

- an employer 401(k) if your employer matches your contributions
- after the 401(k) matching funds, put money into a Roth IRA

■ max out your employer 401(k) if it has a good selection of funds and a good track record

■ other mutual funds

One simple and diversified approach to investing is to put 25% into each of the following mutual fund categories: growth and income (large company funds), growth (medium-sized company funds), international (overseas company funds) and aggressive growth (small company funds). For more conservative investors, the aggressive growth fund could be replaced by a balanced fund to reduce risk.

An annuity is a savings account with an insurance company that allow funds to grow tax-deferred, but annuities are complicated and generally high in fees. Fixed annuities are generally a bad long-term investment. Annuities have a place for those wealthy individuals who have maxed out all their other tax-sheltered retirement options and for older people for some tax-planning purposes. Annuities should be avoided by most people unless you thoroughly understand them. If you can't explain an investment to a spouse or friend, you have no business making the investment.

Finally, invest wisely and seek good counsel if you have questions. One of the best investments you will ever make is the investment of your time in other people. Start with your spouse and children.

## INVESTMENT

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Gary John K., Morton Owner

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