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Having right savings strategy critical today

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Despite the recent market highs, it's been a difficult few weeks for Delaware County investors. While the economy is showing some signs of improvement, recent turmoil in the stock market, thanks in large part to comments from Federal Reserve Chairman Ben Bernanke, shows how fragile our recovering economy still is. If we factor in the possibility of another European bailout—this time in Italy—we begin to see several factors that put consumers on the wrong side of another economic roller coaster ride.

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Since economic conditions half a world away can impact the savings strategies of those here in Delaware County, it's important to recognize where you are at in your savings plan and allocate assets accordingly.

Sticking it out: Younger savers, those between the ages of 18 and 35, still can benefit from weathering the storm in stocks. The overall trajectory of growth in the marketplace is still positive and they should continue to invest for the long term.

Staying engaged: Instead of buying and holding assets, those in the middle—around 35 to 50 years old—may want to take a more engaged approach. Since this age group doesn't want to see a big loss at this stage of the game, a highly diversified portfolio may be a good fit. Many are tempted to try and time the market, but this is a difficult game even for the most seasoned financial professionals.

Expect the best, prepare for the worst: Those nearing or in retirement must be cognizant of the market and not taking on excessive risk. Instead of stashing your assets into low-interest bank accounts, seek out higher interest options, such as money market accounts, or even CDs, as well as alternatives such as annuities. These will ensure continued growth of your assets and stability of your retirement savings.

Bonds would typically be another safe, low-risk alternative for all investors, but the Federal Reserve has been artificially suppressing interest rates for years, and now those interest rates are beginning to rise sharply. According to the Wall Street Journal, the 10-year yield could rise as high as 2.75 percent in the coming weeks—up from 1.76 percent at the end of last year and 1.85 at the end of May. As interest rates continue to rise, bonds bought at lower interest rates will lose value, making this type of investment a significant risk.

Glen Mills-based Daniel A. White & Associates has been helping families through difficult financial circumstances and helping them make the right choices for their golden years since 1987. For more information, visit www.danwhiteandassociates.com or call 610-358-8942.

As we see with bond yields, sometimes the market operates in a counterintuitive fashion. It's important to recognize what stage of retirement planning you're in, and what type of risk you can afford to take with your investments. A recovering economy still has its investing pitfalls, and global financial struggles will impact us here in Pennsylvania, so having the right strategy for your needs is critical. ■

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