

SURVEY: As the baby boomer generation nears retirement, what are the best options for investments, and what role should the stock markets play?

Continue a life-long program



Kanaly

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Financial comfort is personal. It is not accidental. It is built, over time, through savings and compounding, and it requires a sense of future. Each person travels the path to retirement at a different pace. The beginning of a new year is a good time for any person to refocus on his financial future. The stock markets should play a role in most retirement plans. Stock investing,

however, should be carefully planned in context with concentrations in other assets, company benefits and allocation of existing retirement savings. This is the advice Kanaly Trust Co. would give:

Ask this question: "Did I accomplish the savings committed to last year?" Then pull out your 2004 cash flow projection, and review the bottom line.

Second, think about what has changed in your life. Have you or your spouse changed jobs or benefits during the last year? Has your health or the health of a loved one changed? Has your family unit changed due to marriage, birth, death, divorce or disability? For example, boomers not only have grandchildren they may want to consider planning for, but a second family's college savings as well.

Then make a fresh start:

- If you dipped into your liquidity funds during the year, the fund must be replenished.
- If you purchased or sold assets during the year, those changes may impact your insurance coverage. You should discuss these changes with your financial planner or insurance professionals so they can be reflected in your records.
- If you accumulated credit card debt over the year or during the holidays, pay it off as quickly as possible. If it is necessary to pay the balances off over time, pay first on the balance that has the highest interest rate.
- If you received bonuses, salary increases or recognized savings from a refinanced mortgage, direct those savings to your personal portfolio.
- If you expect to pay additional federal income tax liability for 2004 by April 15 of this year, consider whether this liability is due to a one-time event or will continue through 2005. Your 2005 withholding can be updated by completing a new Form W-4 that reflects the changes in your circumstances.

To maximize opportunities, embrace the power of compounding to maximize opportunities for savings and tax-deferred growth. Make calendar year 2005 contributions early in 2005 and review flexible spending account deductions for 2005.

And in all cases, baby boomers should know that there are professional resources available in the community to help with this journey.

When the stock market makes sense



Grisham

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As with any investment decision, it's best to match the risk and reward of a particular strategy with the length of time available to reach the goal. So if retirement is 10 years away and a 4 percent return will grow to a large enough nest egg, then a 10-year Treasury bond will achieve the results with very little risk.

Unfortunately, many people need higher growth rates than are available in interest-bearing investments. Here's where the stock market makes the most sense. History tells us that the market is the best way to achieve the higher growth rates that most people need. And while there is always the chance that the market will not cooperate with investment plans, the longer the time available, the more likely the market will provide that higher growth.

The best advice is: Stay diversified, keep investments allocated in different market sectors and choose vehicles that have a history of low-cost returns. Mutual funds, private money managers, exchange traded funds — they all could have a place in a well-designed portfolio.

Create a comprehensive strategy



Fertitta

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It's no doubt that stocks, as part of a diversified investment strategy, will continue to play an important part in baby boomers' retirement planning.

At Merrill Lynch, we believe that baby boomers not only have more complex financial lives than prior generations, but they are going to transform retirement and therefore require a more comprehensive financial strategy.

While the oldest baby boomers may be approaching the traditional retirement age, a recent study by Merrill Lynch found that the majority of boomers intend to continue working in some capacity, effectively transitioning into retirement over several years. In fact, only 17 percent of boomers plan the traditional retirement of leisure.

Boomers pioneering this new retirement will have additional years of compounding investment returns and fewer years of distribution, which has profound implications on retirement planning advice for this generation.

To make the retirement they envision a reality, a baby boomer must consider every piece of his financial life including assets and liabilities, additional years of income, taxable investments and tax-deferred ones, long-term investments and short-term cash, while also considering business and personal finances.

It's important to incorporate estate planning, insurance and other long-term needs into the plan. There is no one-size-fits-all approach.