MARIA SHRIVER

May 2011 *reprinted from MariaShriver.com*

Should I Invest in the Stock Market?

By Anthony Glomski, Creative Expert

I get this question all the time, and my response is always the same, "First, let's get your financial house in order." If you answer yes to the following three questions, it may be time to take the plunge. Otherwise, set your goal on converting any "no" to a "yes". Simply doing this may land you in a much better financial position in the future.

First things first – let's look at a checklist and be sure we aren't putting the cart before the horse.

1) Are you contributing to your 401k?

A great rule of thumb is to maximize your 401K contributions. The government wants you to save for retirement. In exchange they offer tremendous tax benefits. Currently, the news headlines are loaded with fear and uncertainty about the stock market. I really encourage you to turn off this "noise" and maximize your 401k. There are ways to position your investments if you truly are afraid of the market.

2) Do you currently have credit debt?

Do you have any cards north of 10%? If so, then no, you shouldn't be investing. You should be working to pays those cards down. A good goal is to keep your credit balances at zero by paying them off each month.

3) Do you have enough savings?

I encourage people to have at least 9 months of living expenses in savings. In the current environment where savings accounts are paying less than 1%, it's a very uninteresting investment for people. But what I will tell you is that despite measly returns, what it can provide is a restful night sleep. Imagine the peace of mind knowing that your income can cease and you can sustain yourself for 9 months or more. The value of this is immeasurable.

If you haven't answered yes to all the questions above, it may be time to put on the investing brakes. The good news is that now you have three defined goals and can work to develop a clear cut plan. I promise you, if you work hard to accomplish these three goals, you will dramatically alter your financial life.

If you've answered yes to all the questions above, allow me to say congratulations. Yes, you are ready! One of the first things I will suggest is investigating a Roth IRA.

Why the Roth IRA? Here are some highlights:

- The main advantage is that your contributions grow tax free
- Direct contributions you make to a Roth IRA may be withdrawn tax free at any time
- Once you reach 59 ½, withdrawals are tax free (assuming Roth IRA was open for at least 5 years prior)
- Unlike other retirement accounts, there is no date which you are required to take the money out
- Contribute up to $5,000 per year (or $6,000 if you are 50 or older)

The primary difference with the Roth IRA (versus other retirement accounts) is that the tax break kicks in during retirement. Why is this important? Well, likely in retirement you will be invested in bonds. Bond interest is taxed at your highest tax rate. Ouch!! The good news for you Roth account holders, you can buy the bonds in your Roth account and that interest is 100% tax free. (The Roth IRA is named after late Senator William Roth of Delaware. My guess is he didn't like taxes.)

"I think this is right for me. How do I get a Roth IRA?"

The process is pretty painless. Check out online brokers like TD Ameritrade, Charles Schwab, Fidelity, etc. Watch the fees. Luckily the investing world has become very competitive and easily accessible.

The final thought I will leave you with, is one of encouragement. You can take control of your financial life. You don't have to be left to the mercy of a financial planner, stock broker, or insurance salesman. With a little bit of discipline and study, you will be able to make the right decisions and take the right steps to build a brighter financial future.