The Coaster

By Jim Turner

Every Monday, Wednesday and Friday Madison walked the half mile to his mailbox. He told me he remembered reading somewhere that an octogenarian should make every effort to stay physically active and walking was a low impact way for him to do that. On the other mail delivery days, Tuesday, Thursday and Saturday, he rode his bike there and back. Bike riding was another self-help tip he had read about, and it was said to be a good way for him to work on maintaining good balance. He found plenty of good information in articles he read, especially his favorite local newspaper and the electric cooperative magazines. He trusted these folks, and thought if they published something it must be true.

Madison's bicycle was an old model coaster he had owned for at least 40 years and he had kept the chain oiled and the tires inflated according to the specs in the bike manual. He had the bike manual stored in a handy place along with all the other manuals for most everything he owned and some stuff that was long gone. Madison was quick to tell anyone that, although riding the bike was quicker than walking, speed was not what the daily adventures were all about. Besides that, his blue and white friend offered him some other benefits and challenges. So he split up his daily trips half and half.

He preferred the Monday, Wednesday and Friday trips because he usually sang when he walked. He had a rich baritone voice that sounded pretty good to him when the southwest breeze blew the notes back into his face. On singing and walking days, the first melody out of his mouth was always an old John Denver tune, the one that talked about a country road taking him home to a place where he belonged. It bothered him some that lately he found himself forgetting some of the words, but he never forgot the tune so he hummed along whenever there were spaces in his memory. He didn't try to sing on the bicycle days because that extra focus on remembering the words seemed to affect his balance and that defeated the whole purpose of riding.

Either way, though, walking or riding, he got in his one mile of exercise every day. That was what was most important. At least that was what he had read. Sundays, he skipped the exercises and spent the day doing and thinking about other things. Walking and balancing and all the other benefits were just put away. On Sundays he enjoyed his coffee and newspaper on the porch while he listened to the birds fuss with the squirrels.

(Continued on page 13)

Establishing a Financial Safety Net

By Greg Patterson

In times of crisis, you do not want to be shaking pennies out of a piggy bank. Having a financial safety net in place can ensure that you are protected when a financial emergency arises. One way to accomplish this is by setting up a cash reserve, a pool of readily available funds that can help you meet emergency or highly urgent short-term needs.

How much is enough?

Most financial professionals suggest that you have three to six months' worth of living expenses in your cash reserve. The actual amount, however, should be based on your particular circumstances. Do you have a mortgage? Do you have short-term and long-term disability protection? Are you making car payments? What additional debts do you have? Other factors you need to consider include your health, income, and job security if working. The bottom line: Without an emergency fund, a period of crisis (e.g., unemployment, disability, health care need) could be financially devastating.

Building your cash reserve

If you haven't established a cash reserve, or if the one you have is inadequate, you can take several steps to eliminate the shortfall:

- *Save aggressively.* Budget your savings as part of regular household expenses.
- *Reduce your discretionary spending* (e.g., eating out, movies, lottery tickets).
- *Use current or liquid assets* (those that are cash or are convertible to cash within a year, such as a short-term certificate of deposit).
- *Use earnings from other investments* (e.g., stocks, bonds or mutual funds).
- *Check out other resources* (e.g., do you have a cash value insurance policy that you can borrow from?).

A final note: Your credit line can be a secondary source of funds in a time of crisis. Borrowed money, however, has to be paid back with interest. As a result, you should not consider lenders as a primary source for your cash reserve.

Where to keep your cash reserve

You will want to make sure that your cash reserve is readily available when you need it. However, an FDIC-insured, low-interest savings account is not your only option. There are several excellent alternatives, each with unique advantages. For example, money market accounts and short-term CDs typically offer higher interest rates than savings accounts, with little, if any, increased risk.

Important points

Don't confuse a money market mutual fund with a money market deposit account. An investment in a money market mutual fund is not insured or guaranteed by the FDIC. Although the mutual fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund. Also, when considering a money market mutual fund, be sure to obtain and read the fund's prospectus, which is available from the fund or your financial advisor, and outlines the fund's investment objectives, risks, fees and expenses. Carefully consider those factors before investing.

It is important to note that certain fixed-term investment vehicles (i.e., those that pledge to return your principal plus interest on a given date), such as CDs, can impose a significant penalty for early withdrawals. So, if you are going to use fixed-term investments as part of your cash reserve, you will want to be sure to ladder (stagger) their maturity dates over a short period of time (e.g., two to five months). This will ensure the availability of funds, without penalty, to meet sudden financial needs.

Review your cash reserve periodically

Your personal and financial circumstances change often. Because your cash reserve is the first line of protection against financial devastation, you should review it regularly to make sure that it fits your current needs. A financial advisor can help you determine an appropriate amount for your cash reserve, decide where it should come from, and ensure that it is reviewed periodically.