

JULY 2004

Good Housekeeping

New **The Monday Diet** Fresh start, fast results

YOU CAN BE HAPPIER!

4 Ways to Feel Good Every Day

Back and Neck Pain

A doctor's simple cure

Goofed?

How to Turn Money Mistakes into \$\$\$

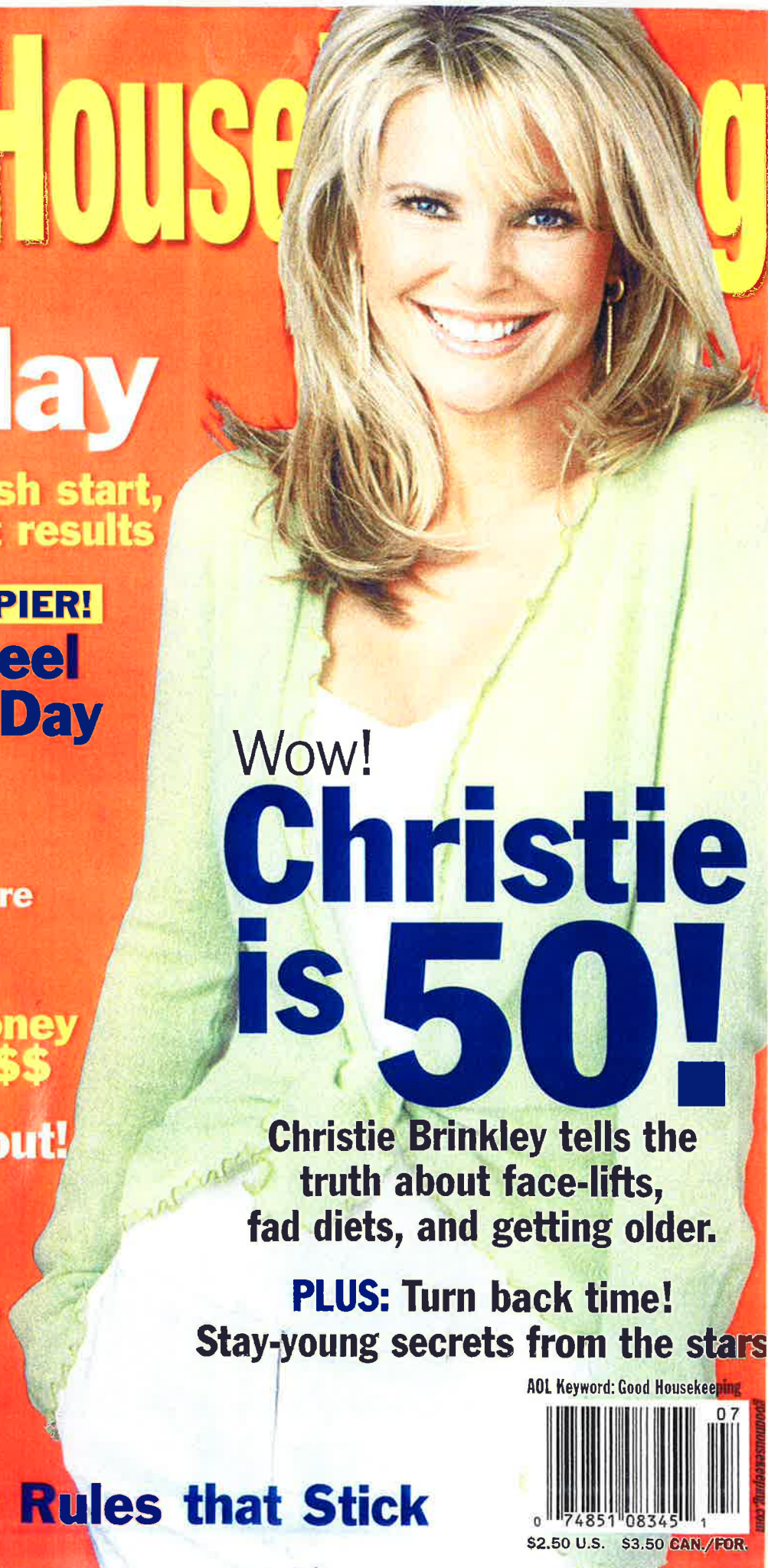
Summer Cookout!
Best recipes

The Legs You Long For

Easy ways to fix those flaws

YOUR KIDS:

How to Make Rules that Stick



Wow!

Christie is 50!

Christie Brinkley tells the truth about face-lifts, fad diets, and getting older.

PLUS: Turn back time!
Stay-young secrets from the stars

AOL Keyword: Good Housekeeping



\$2.50 U.S. \$3.50 CAN./FOR.

I'll never do that again

Even the money pros goof sometimes. But they've learned from their bloopers—and so can you. *by Charles Butler*

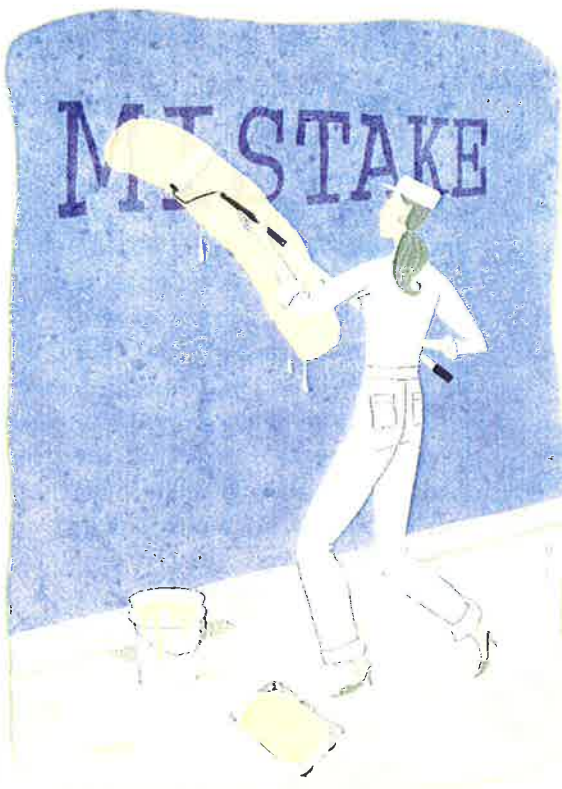
admit it. You've made a blunder or two with your finances. Perhaps you keep procrastinating when it comes to refinancing your home loan—even though interest rates are at historic lows. Or you still haven't bought more life insurance for your growing family. Or you meant to put a few extra dollars in your child's college fund last month—but at the last minute opted for a long weekend at the beach instead.

Well, guess what? When it comes to financial follies, you're in good company. These experts all have made a few blunders of their own. Here's an up-close look at how they blew it—and what they know now.

THE BIG MISTAKE Not buying a house when the time was right

WHO DID IT James Cramer, cohost of CNBC's *Kudlow & Cramer* and founder of TheStreet.com

"For eight years my wife and I kept looking at the price of a vacation property and saying, 'It's got to come down. We'll rent until it does.' And that's what we did. For eight years we paid more and more in rent. We thought we knew more than the market, but we ended up paying the equivalent of what we would have spent to buy the house when we first saw it. This was a totally penny-wise, pound-foolish decision."



THE LESSON "When it comes to buying stocks and bonds, you can afford to wait. But when it comes to something you really like and could use—a house, a car, etc.—don't play a game of wait-and-see. Just do it."

THE BIG MISTAKE Failing to diversify—and letting emotion get in the way of good judgment

WHO DID IT Jane Bryant Quinn, personal finance columnist for *Good Housekeeping* and *Newsweek*

"It was the 1960s, and I bought a hot fund that owned a lot of oil stocks. I bought it near the top—and then watched it go down. I kept thinking, 'It's going to go up again.'"

THE LESSON "Don't allow yourself to get emotionally involved in how much money you could make or lose; that way, you only get paralyzed. You hold on—and it still goes down some more...."

"I also bought that fund without ever looking at what stocks it owned—and even if I had looked, I probably wouldn't have understood them. Now I know that having such a high percentage of oil stocks—or of any one kind of stock—was not a good idea. That taught me the importance of diversifying your investments. Put a percentage of your money in a low-cost index fund, a percentage in a bond fund, and have some cash for an emergency. Then get on with your life."

THE BIG MISTAKE Trusting a financial adviser blindly

WHO DID IT Suze Orman, personal finance author and host of CNBC's *The Suze Orman Show*

"In 1980, I was 29 years old and I had been a waitress for seven years, making \$400 a month. I had a dream, though, of starting my own restaurant. Some of my customers got together and lent me \$50,000 and suggested I put the money in a money market fund until I was ready to start my business. I walked into a brokerage house and was assigned ▶

to the broker-of-the-day. He asked, 'How would you like to make a quick \$100 a week?' I answered, 'How do you do that?' He said, 'Just sign here.' I signed these blank documents, which turned out to be forms to open an options account. Options are a very speculative and expensive way of trading stocks that only experienced traders, and people with more money than I had, should be involved in. Within four months, I had lost all of my \$50,000."

THE LESSON "Most people today don't have a clue who their financial adviser is or what he is doing for them. The biggest mistake most people make with their money is being afraid to learn to deal with it on their own."

THE BIG MISTAKE Spending retirement money—before retiring
WHO DID IT Jean Chatzky, personal finance columnist for *Money*

"In 1987, I had just left my first job and was about to start a new one. I needed some new clothes, so I ran up a pretty good credit card bill. One day I got a check for around \$1,100 from my old company's 401(k), which I didn't even remember signing up for. All I did know was that I had that credit card bill. So instead of rolling the funds over into an IRA or something, I took the penalty for cashing out early and used the money to pay off my bill. If I had kept that \$1,100 in a retirement account, it would probably be worth around \$10,000 today."

THE LESSON "Recognize the power of keeping money invested. Forty-two percent of people reportedly cash out when they move from one job to the next instead of rolling the money into their new company's 401(k) or into an IRA. They take the money and the penalty but lose the long-term benefits."

THE BIG MISTAKE Not talking to aging parents about their future
WHO DID IT Neale S. Godfrey, chairman of the Children's Financial Network and author of *Money Still Doesn't Grow on Trees*

"The biggest mistake people make is being afraid to deal with their money on their own."

"My mother was raised in the Donna Reed generation, when polite people didn't discuss money. Every time my siblings and I tried to bring up the topic, her response was, 'Don't worry. I'm taken care of.' But she wasn't. When my stepfather died, he left her with only a \$40,000 insurance policy. As it turned out, she died last year at age 81—but if she had lived longer, her money would have run out."

THE LESSON "Families need to approach the older generation before a tragedy and say, 'We are going to talk about this. We need to know your wishes, from being placed in a nursing home all the way to the funeral home.' Allay the parents' fear of the money-grubbing kids coming to get them. Tell them that's not what the conversation is about."

THE BIG MISTAKE Going wild with credit card debt

WHO DID IT David Bach, author of *The Automatic Millionaire*

"When I went to USC as a freshman in 1985, the day I got my student ID I also signed up for three credit cards. I told myself I would use them only for emergencies. Well, by the time I was a senior, my debt was over \$10,000. I was using credit cards to pay for a lifestyle I couldn't afford."

THE LESSON "I switched to using only a debit card and an American

Express card that I pay off monthly, and I haven't been in credit card debt since I was 23. But the average student today leaves college with a \$3,200 credit card balance. I hope their parents do what mine did. My

dad said, 'David, you're a big boy now. If the bill has your name on it, it's your problem.'"

THE BIG MISTAKE Spending too much time at the office

WHO DID IT Bill Gross, founder and chief investment officer of Pacific Investment Management Company

"Like many of us in the investment world, at times I skipped important family events, like a school function or a family reunion, because of work. Those missed opportunities didn't hit home until, in silence, I sat on our trade floor with about a hundred others watching the horrors of September 11 unfold. At one point, the camera panned the streets around the World Trade Center. There were parents searching for their children, and children holding photos of parents, wondering if anyone knew of their whereabouts."

THE LESSON "You see, at the time, I thought of myself as a pretty darn good dad and husband. I have three kids and have been married for 19 years. But now I'm trying to earn the titles of World's Best Dad and Über-Husband. With that in mind, I recommend we invest much more time in our families than we did in the past. I know I am. Talk about an investment that will pay great dividends well into your golden years! And it's far more fulfilling than an account statement." ■