

"Target Date" Mutual Funds

by Jeff Rubleski, MBA

Selecting an appropriate blend of stock and bond mutual funds to meet your investment objectives can be a real challenge, especially in rapidly changing markets. To help individuals simplify the mutual fund selection process, scores of mutual fund companies have developed "target date" funds. These funds change the mix of stocks and bonds inside the targeted mutual fund to coincide with an individual's anticipated retirement date.

Selection of a target fund is easy and generally offers appropriate allocation between stocks and bonds depending on the individual's expected date of retirement. Individuals who are several decades from retirement will select a target date fund that will have more exposure to stocks than a target date fund for someone within a decade from retirement.

You'll Benefit From Professional Asset Allocation Decisions...

The beauty of these funds is that a professional money manager makes the asset allocation decisions, whereby the target date fund is periodically adjusted to reflect an appropriate weighting of stocks and bonds. Periodic stock and bond weighting adjustments (commonly referred to as asset allocation) will ensure proper exposure to stocks and bonds based on your anticipated date of retirement. If you aren't interested in performing research on stock and mutual funds and periodically rebalancing your portfolio between stocks and bonds to achieve proper asset allocation, a target date mutual fund may be a great option for you.

Not all target date funds are created equally. Most target date funds invest in existing stock and bond mutual funds made available by the sponsoring mutual fund company. So stick with a company that has a solid record of fund performance.

Personal Finance For The New Year

The start of a new year is a good time to take a look at your personal finances and develop a plan to proactively keep your financial health in tip top shape. Consider these three ideas:



1 Get a grip on personal debt.

If you have credit card debt, resolve to eliminate it as quickly as possible. Pay off debt with the highest interest rate first.

2 Maximize company savings opportunities.

If your employer offers a matching contribution to a 401(k) or 403(b) plan, make sure you get the entire employer matching contribution by making the appropriate contribution to your plan.

3 Get in good physical shape and get an annual physical exam.

Most health insurance plans require more out of pocket expenses for prescription drugs, deductibles and coinsurance. Those who exercise, control their weight and seek appropriate preventive healthcare will generally consume less healthcare services and save big bucks in the process of needing less care.

Make financial wellness a top priority throughout the year!





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Get Organized For Tax Season

The most important step you can take to successfully prepare your taxes (or have your taxes prepared by a tax preparer) is to get organized.

Consider setting up a special file just for tax-related documents such as W-2 wage forms, property tax statements, bank statements, charitable contributions, etc. By keeping current year tax documents in the same file, you'll know where all your tax-related documents are when it's time to prepare your taxes.

Tax Tips

If you itemize your taxes, you may need to add sub-folders to your tax file to boost your tax organization. Also, consider calling the IRS toll-free number if you should have questions regarding your taxes. The toll-free number is **1-800-829-1040**. Hours of operation are 7 AM to 10 PM, M-F, EST. Saturday telephone coverage is provided during the tax season. The IRS website (www.irs.gov) is full of good information, including downloadable forms.

how much DEBT can you handle?

by Jeff Rubleski, MBA

If you wanted a loan for a home or an automobile and your lender said to you, "Your debt ratio looks too high," would you be surprised? Would you know what is an "acceptable level" of debt for major loans? Lenders typically look at personal debt ratios in two ways.

1. Top Debt Ratio—This ratio is defined as your total estimated monthly housing expenses divided by your gross (before tax) household income. Usually this ratio should be less than 25 percent of your gross household income. This means that your total expenses for housing, including property taxes and insurance, should not exceed 25 percent of your gross monthly income. If your percentage exceeds the 25 percent threshold, you may pay more for credit or be turned down for credit by a lender.

2. Bottom Debt Ratio—This ratio adds other debt obligations such as credit card service, car payments, and other forms of personal debt to the total estimated monthly housing expenses divided by gross household income. This ratio generally should not exceed 35 percent of your gross monthly income.

Take a few moments to calculate both ratios and examine your score. If you are under the recommended percentages, congratulations! It should be much easier for you to reach your financial goals. If your percentage of debt exceeds one or both ratios, take a hard look at your debts and determine ways to reduce your debt ratio(s) and spending habits.

Knowing how much debt you can reasonably handle will help you make wise decisions on major purchases and keep you from taking on too much debt.

Source: First National Bank of St. Louis

