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Better Decisions

A bulletin devoted to helping you make better and better financial decisions

Borrow. Spend. Buy. Waste. Want.

by

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I did not make up that headline. I borrowed it from an article that appeared in *Business Week* more than fifty years ago. Those five words captured the mood of the times.

Planned obsolescence was the glue that held it all together and kept the preferred standard of living always slightly beyond reach. With carte blanche access to the world's resources, the formula worked beautifully. We took consumption to entirely new heights built on the seamless workings of finance, manufacturing, and advertising.

Today, of course, we are caught with our hand deep in the cookie jar. Years of warnings --- the Savings & Loan debacle of the late 1980s, the meltdown of Long-Term Capital Management in the late 1990s, Enron in the early 2000s --- did little to adjust institutional behavior patterns (or ours, for that matter). Seizing short-term rewards garnered by cutting corners was simply too tempting a strategy.

On the mega-institutional level and on the personal level it's the same problem: too much adolescent behavior. That's all there is to it, an epidemic of adolescence! Now the rub: Can we reign in smarty pants behavior without thwarting innovation and risk-taking? Can we come up with a contemporary formula for creating real wealth, both institutionally and personally, which is more than just smoke and mirrors?

That's the cosmic quandary. But for right now, it's a simple matter of heading back to basics like "The 60 Pearls." Nothing gets more basic! Here's how it works:

Start with \$60,000 (you don't have to, you can start with less; but I'll use \$60,000 to illustrate.) Pick a day of the month, let's say the 12th. That's investment day for you. Every month on the 12th you make your moves...now and for the rest of your life!

Take \$5,000. Buy five \$1,000 Certificates of Deposit (CDs) --- a 5-Year, 4-Year, 3-Year, 2-Year, and a 1-Year. Do this every month for a year. Then, next year at this time, use the proceeds from the 1-Year CD that matures to buy a 5-Year CD. Do the same thing each and every month thereafter.

Ultimately, you will own 60 \$1,000 5-Year CDs, with one maturing every month forever. Do not have them automatically renew. Force yourself to make a "spend or save" decision every month!

Each time you buy a fresh CD, add something extra to the principal and interest earned. Pretty soon instead of \$1,000 every month you'll have \$3,000 or even \$5,000 available to buy a vacation, a car, or to be salted away for later so when you reach 60 you'll have 5 years of monthly income ready to go courtesy of "The 60 Pearls!" Give it a try, you'll like it!