

American High-Wire Act

Balancing between safety and high-earnings

BY CHRIS MENDOZA

These unprecedented financial times may have created a golden opportunity to revamp financial plans and investing practices. As young families scale back and slow down, they are re-evaluating future plans and a new conservatism in their financial planning and investing is emerging. Providing for one's family perhaps can be best accomplished by forgoing those big-ticket items like flat screen televisions and the newest model car, and spending time in simple family-centered activities.

In the rush to acquire the trappings of success, however, many Latinos may overlook any financial planning at all. In fact, according to a February 2007 U.S. Census Bureau *American Community Survey Report* only 33 percent of Hispanics have a personal financial plan in place.

With savings rates at the highest level in six years,¹ now may be the best time, of any, to start saving. The first step to charting a future financial course, or verifying that an already determined route is correct, is to evaluate where one is now. Asking a few simple questions can help:

What is important to me?

For many, college savings for their children is at the top of the list. Also near the top may be caring for aging parents or a child with a disability and comfortable retirement. Whatever makes the top of an individual's list, this question must be answered first to create the framework around which your financial strategy can be built.

Who depends on me today and tomorrow?

Families are the cornerstone of a Latino home, but in addition to spouses and children, remember to include on your list less obvious family members like parents, in-laws or siblings who may have a disability. The answer to this question may help determine what financial products may be needed and in what amounts.

How much risk am I willing to take?

Many Americans were taking much greater risk than they were prepared for. Heavy losses in retirement accounts and other investments over the past few years may have made many re-evaluate their risk tolerance.

Living through these unprecedented financial times has caused many more investors to turn to "safe" and even "stuffy" financial products, like bonds over the "flashy" but more risky ones like international equities.

For those who also need life insurance protection, permanent insurance with an accumulation component that is not tied to the stock market is often looked at as one option that provides solutions to multiple needs. As an accumulation vehicle, it is not subject to market fluctuations and provides a guaranteed cash value. This may be the reason insurance companies have seen a resurgence of whole life insurance products sales this year given the guaranteed features naturally built into the product.

By remembering that anything that is too good to be true, probably is too good to be true, one can help strike that delicate balance between more risky, high-earning investments with safer, more conservative financial products, like whole life insurance.²

In a slow economy, save now, spend later.

¹ According to the U.S. Department of Commerce, Bureau of Economic Analysis. Statement reflects 2009 figures.

² Whole life insurance is issued by Massachusetts Mutual Life Insurance Company (MassMutual), Springfield, MA 01111.

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