

# American Academy of Pediatrics

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## **Computer Savvy for Seniors Personal Financial Management Software and Web Sites Part 1**

One of the most popular computer software applications is personal financial management. One may recall that the software application that created the first growth in sales of PC's was Visicalc, a straight-forward software application that enabled the user to prepare self-calculating spreadsheets. This article will discuss several common personal financial management challenges, and identify popular on-line web sites (or software applications) that will enable you to meet the challenge. Additional details on specific financial websites may be found in a chart of "Useful Personal Financial Management Web Sites and Software" that can be viewed and downloaded from the AAP Senior Section website.

In Part 1 of this 2 Part article (Part 2 in Summer Edition of Senior Bulletin) we will cover:

- Web Portals for General Financial Management Information
- Home Banking on the Computer
- Retirement Planning
- Portfolio Tracking and Asset Allocation

In Part 2 we will cover some additional topics for the more sophisticated, senior investor.

These topics will include:

- Selecting a Financial Advisor
- Mutual Fund Selection
- Bond Investing
- Selecting 529 College Funds

Are you tired of attempting to balance your checkbook with limited success to the chagrin of your spouse? Concerned about whether you are either saving enough for retirement, or have enough saved to allow you to live a full life? Do you travel and either would like access to your bank statements or be able to track and pay your credit cards without having to wait for forwarded mail? Are you considering providing some financial support for grandchildren's college education but needs some unbiased information about 529 Plans or other? Do you assiduously track your investments and/or trade stocks/bonds regularly?

If you've answered "Yes" to any of the above, computer and web-based technology is available to help you with these issues and more! This article will direct you to resources on the following topics: i) Web Portals for General Financial Management Information;

ii) Home Banking; iii) Retirement Planning; iv) Portfolio Tracking; v) Asset Allocation; vi) Mutual Fund Selection; vii) Bond Investing; viii) Selecting 529 College Funds; ix) Selecting a Financial Advisor. We will not provide financial or investing advice; we will show you resources to facilitate an informed decision on your part.

**Web portals** are plentiful. When you log-in to the Internet, the first page that you view, your Home Page, is a web portal. Your Home Page will contain general news and information, and a variety of navigation tools to check your e-mail, Search the Web, manage your account, check the weather, find a local movie theatre, etc. It may also have specific sections for Business News and/or the latest Stock Exchange prices. Financial or Business Web Portals were initially designed to be one-stop financial and investing sites. Today's portals are comprehensive sites that will not only keep you up to date on the markets and business news, but also will help you manage your portfolio, pay bills and research stocks and funds. They frequently include free access to certain popular business magazines, e.g. Business Week, Forbes, etc. Portals can be very popular (MSN Money), funny (Motley Fool) and informative as they provide generic, helpful planning tools/calculators that one can use, e.g. Retirement Planning, Refinancing a Mortgage, Investing for College. Barrons Magazine (2002) called the MSN Investment Toolbox "(The) most customizable, robust portfolio tracker on the Web". These sites are usually free, although they may require Registration. The online versions (free) often have premium subscription services. Explore free areas of site until/unless you have determined that this is your "site of choice". As well, there are Web site portals for serious investors, e.g. SmartMoney.com ([www.smartmoney.com](http://www.smartmoney.com)), (see Investing 101 at Smart Money University) or Morningstar.com ([www.morningstar.com](http://www.morningstar.com)). These sites offer sophisticated tools and intuitive interactive charts that colorfully "Map the Market" or enable one to identify the "best" mutual funds by category, performance, or popularity.

**Home Banking** software should be a key part of a senior couple's financial management strategy. Home banking software performs all of the usual planning, banking, budget management, and tax planning functions automatically. Write checks, reconcile your checkbook automatically, and categorize your expenses. In addition, home banking software allows you to create an inventory of financial assets to assess your net worth, and to establish where the family assets are located. Thus, both spouses become educated in family financial issues and have immediate access to banking, portfolio, net worth information, etc. in the event of unexpected illness that interferes with the primary "home money manager" abilities to fulfill their duties. Beyond listing your assets and investment portfolio, download bank statements, brokerage statements, investment quotes (at the close of the market), and receive reminders for recurring payments, e.g. mortgage, cable TV, automobile through automatic entry into your "checkbook" at the appropriate time. Keep your money at work until the last moment by securely paying bills electronically to arrive on the last day of the credit period. Annual CPA visits for tax return preparation becomes less onerous when with a single push of a button one can prepare categorized lists of expenditures. Even better, do and pay your own taxes with many popular programs! Popular home banking software (Microsoft Money, Quicken) also link with excellent web sites that provide oodles of financial information and planning tools and may permit off-site, secure back-up storage of your financial data

making the data accessible to you wherever you may be as long as you have access to an internet-connected computer and remember your User ID and Password.

**Retirement Planning** (whether done prospectively or periodically reviewed) is readily facilitated through web access. Home Banking software has retirement planning calculators built-in that automatically import all of the data that you've previously entered into your Home Banking software. Moreover, excellent Retirement Planning tools are usually available on your investment broker's website (Fidelity at [www.fidelity.com](http://www.fidelity.com), Vanguard at [www.vanguard.com](http://www.vanguard.com), Charles Schwab at [www.schwab.com](http://www.schwab.com)). These tools automatically import your brokerage account information from all of your banking and brokerage sources upon your secure entry of UserID and Password Information. Try several different brokerage tools to reassure yourself that you are either saving enough for a secure retirement or that your current retirement budget withdrawal and spending plan still makes sense in the context of a changing stock market and the current performance of your investments. Test out whether or not the "4% Retirement Withdrawal Rule of Thumb" is applicable to your personal situation.

**Portfolio Tracking & Asset Allocation:** Financial advisors regularly counsel investors of all ages on the importance of asset allocation and the need to periodically adjust your portfolio (rebalance) to bring it in line with your asset allocation targets. Asset allocation is portfolio diversification based on your needs (life stage) and risk tolerance. Fidelity, Vanguard, Schwab and others have website Portfolio Tracker tools, including one specifically for retirees (at [www.smartmoney.com](http://www.smartmoney.com)) to help you rebalance and determine an asset mix that's right for you among cash, bonds, small/mid cap stocks, large cap stocks, and international stocks. These tools automatically import portfolios, track dividends, account for splits, and keep you informed of news about your holdings with e-mail alerts. Your Home Banking software may either include portfolio tracking capability and graphic asset allocation and/or link with a web site at which that can occur. What you want to know is the performance of your investments today, and over various periods of time in accordance with your goals. Check how the quality of your portfolio and your annualized returns compare with asset allocated portfolios that are specific to your age, investing style, and risk tolerance. For example, how would your portfolio have fared through the dot.com bust or September 11? Note – most of the Retirement Planning, Portfolio Tracking and Asset Allocation Tools are available free to individuals that are not investors at the specific brokerage. However, manual entry of personal data will be necessary.

Although not exhaustive, even if exhausting, this information may make you a better personal money manager. For additional information and a chart of specific web sites/tools of interest, go to the AAP Senior Section Web Page. You might also want to check Forbes Magazine "Best of the Web" ([www.forbes.com](http://www.forbes.com)) – their annual review of financial help on the web. As always, your questions, comments, and suggestions for future topics are welcome at [jmaronson@aap.net](mailto:jmaronson@aap.net).

## **Part II**

In Part 1 of this 2 Part article (Part 2 in Summer Edition of Senior Bulletin) we covered: Web Portals for General Financial Management Information, Home Banking on the Computer, Retirement Planning, and Portfolio Tracking and Asset Allocation. This article will include additional information for the more sophisticated investor.

**Web Help to Select A Financial Advisor:** First, you may not be interested in making any or all of your investing decisions by yourself. As professionals, we are deluged with offers of “free” financial advice, often from individuals and/or companies with vested interests in selling their products. Establishing a relationship with a fee-only Financial Planners is frequently recommended by financial gurus. How can you find and choose a Financial Planner? The website of the National Association of Personal Financial Advisors provides a long list of tough questions you should ask a prospective planner and a “Find a Planner” web tool that lists only financial consultants that either charge flat hourly fees or are paid based on the assets under management. These planners only receive fees from you, the client, and never from mutual fund or insurance companies pushing products.

**Mutual Fund Investing:** Mutual fund investing is a core element of most portfolio management. Funds allow us to “diversify, diversify, diversify” – the mantra of most financial planners. Individual mutual fund companies provide generous amounts of information about Fund selection, performance, etc. emphasizing their own funds. Less biased, and broad, general background can be found at the Mutual Fund Investors Center, a free site sponsored by the no-load mutual fund industry. It offers lots of educational information, such as FAQs about inheriting IRAs. You'll also find articles, portfolio tools and first-rate specialized sections on such topics as Kids and College. The Asset Allocation and Tools and Calculators sections are also strong. Unique Asset Allocation Portfolios - Young Professionals, Peak Earners with Older Children, Working Family with Young Children, Empty Nesters, Retirement. Other sites, e.g. FundAlarm, provide assistance with the the “When to buy? And When to Sell? question by comparing thousands of funds to appropriate benchmarks. You can identify non-performers by looking for the Fund Alarm “3 Alarms” and then “dump them! Another unique tool is available at SmartMoney.com ([www.smartmoney.com](http://www.smartmoney.com)) They call it the “IRA-Friendly Fund Screener”. This [fund screener](#) searches for no-load equity and hybrid funds whose five- and 10-year returns rank in the top 25% of their classifications, expense ratios in the bottom 25%, and Lipper Leader scores of 4 or 5 for tax efficiency (on a scale of 1 to 5, 1 being the most efficient). In addition, we filtered out funds whose minimum IRA investment requirements are greater than \$3,000. SmartMoney.com provides this under a 2 week free trial to their Premium service. Use it on a trial basis for free, and then choose it for \$\$ if it meets your needs. Alternatively, check to see whether your investment brokers website offers free links to premium pay sites, e.g. SmartMoney.com. For example, are you interested in Growth Stocks in contrast to Value Stocks for your portfolio? Fidelity investors can link to the Smart Money.com “Keeping Up with Fast Growth” screening tool as one of more than 30 free expert stock search tools available in the Fidelity research area of [www.Fidelity.com](http://www.Fidelity.com). Remember, in 2006 eligible investors

may stow away up to \$4,000 (\$4,500 for the 50-and-over set) in their individual retirement accounts. That means more chances to save — and more decisions to make.

**Individual Stock and Bond Investing:** Stocks and bonds can be purchased through mutual funds or individually. For those that prefer to make their own decisions about individual bonds, consider Bondsonline ([www.bondsonline.com](http://www.bondsonline.com)) or Nasdaq.com ([www.nasdaq.com](http://www.nasdaq.com)) for individual stock purchases. Bondsonline is devoted to fixed income investing. It can help you make decisions what bonds to buy, how best to buy them, how long you want to hold them, and when to think about selling. The site offers the ability to search and buy any kind of bond you want based on parameters such as maturity, coupon rate, credit quality, and issuer. It also allows you to check current prices and yields using the same criteria. A unique tool in the Education Center of [bondsonline.com](http://bondsonline.com) provides guidance on “Bonds for Your Stage of Life”. The site has an excellent set of tools to evaluate bond purchases and sales. For stock investing, Nasdaq.com has a vast array of information including a set of free Investor Tools. One tool, “Guru Screener” generates stock recommendations from financial gurus that you choose. Note - if you are going to do it yourself, check out [www.RiskGrades.com](http://www.RiskGrades.com) to learn and understand your investment risk tolerance. This is essential to proper asset allocation

**College Fund Investing:** Thinking about contributing to your grandchildren’s college education? This may be good estate planning device for you, as well. Search *[SavingforCollege.com](http://SavingforCollege.com)* to educate yourself and to compare 529 Plan options.

Although not exhaustive, even if exhausting, this information may make you a better personal money manager. For additional information and a chart of specific web sites/tools of interest, go to the AAP Senior Section Web Page. You might also want to check Forbes Magazine “Best of the Web” – their annual review of financial help on the web. As always, your questions, comments, and suggestions for future topics are welcome at [jmaronson@aap.net](mailto:jmaronson@aap.net) .