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GETTING GOING

By JONATHAN CLEMENTS

Five Questions That Put Me on the Spot

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This is my 700th Getting Going column. To mark the occasion, I decided to interview myself.

But forget the softball questions. In these columns, it's easy for me to gloss over intellectual inconsistencies and tiptoe past thorny issues. But we aren't letting Clements get away with that today.

Want to make him squirm? Here are five questions you really ought to ask me.

1. Are you qualified?

I got my first full-time job in journalism shortly after my 19th birthday, I attended the world's best university (you, of course, immediately thought of Cambridge), I have worked in financial journalism since I graduated in 1985 and I have penned the Getting Going column for almost 10 years.

But am I qualified to be a financial adviser? Absolutely not. Then again, most full-time financial advisers aren't qualified, either.

The business of doling out investment advice isn't a profession in the way that, say, law or medicine are professions. Yes, you will find advisers who are Chartered Financial Consultants, Certified Financial Planners, Chartered Financial Analysts and Certified Public Accountants/Personal Financial Specialists.

But these folks are the exception. Like your trusty personal-finance columnist, most brokers and financial planners have had little or no formal training. It's a disgrace.

2. Why do you keep bashing brokers?

I have met plenty of brokers and financial planners who strike me as smart and ethical, and I would happily recommend these advisers to friends and family. But don't take that as a blanket endorsement of all brokers and planners. I think the whole business of buying investment advice stinks.

Not only does it cost too much, but there are precious few safeguards. If you are an uneducated investor and you wander into your local broker or financial planner's office, you could get great advice -- or you could end up losing your life's savings.

There's no way I am going to encourage readers to take that gamble. The risks are simply too great.

Trying to decide between hiring a local adviser and leaving your cash languishing in a hodgepodge of mutual funds? As far as I am concerned, it's no contest. Unless you are absolutely sure the adviser is highly qualified and entirely ethical, I would stick with the hodgepodge every time.

3. But aren't investors stupid?

Whenever I suggest that readers invest on their own, a raft of brokers and financial planners fill my inbox with angry e-mails. Their contention: My columns are worse than useless, because they're dishing out advice that most people are too clueless and too undisciplined to follow.

My response: I'll readily concede that there are people who have no business investing on their own. They save pathetically little, they panic when the market goes down, they chase hot investments -- and nothing I write could possibly help them. These folks would clearly benefit from hiring a good adviser (and, fingers crossed, maybe they'll find one).

But I have also met heaps of investors who have fared just fine on their own. In fact, I honestly believe more people should go this route.

To be sure, if you invest on your own, you won't always get it right. But at the same time, you will avoid the risks and the costs of using an adviser, and the cost savings will likely be greater than the cost of any mistakes you make on your own.

Moreover, if you manage your own money, you can still get help on occasion. Many advisers have started offering their services on an as-needed basis, at a cost of maybe $150 an hour. To locate one of these advisers, go to the site www.garrettplanningnetwork.com or www.myfinancialadvice.com.

4. Why do you play the pundit?

As I have said many times in this column, I don't believe anybody can predict the market's short-term direction. Yet, despite such cautionary comments, I devote a fair amount of ink to recent market action.

With such columns, aren't I encouraging investors to focus on short-term results, just like every other overheated market pundit? Maybe I am guilty of that.

TOOLS

For tools to help you with a variety of financial planning needs, from asset allocation to saving for college, visit the Money Toolbox page.

ABOUT THE AUTHOR

Jonathan Clements has written The Wall Street Journal's Getting Going personal-finance column since October 1994. Born in London, Jonathan is a graduate of Emmanuel College, Cambridge University, where he edited the student newspaper. He was a writer and researcher for Euromoney magazine in London before moving to the New York area in 1986. Prior to joining the Journal in January 1990, he covered mutual funds for Forbes magazine.

Truth is, I work for a newspaper and there's a certain amount of pressure to write stories that play off the news. I can argue that, by taking the latest market hiccup and using it as an excuse to remind readers of certain bedrock investment principles, I am helping to keep folks on the right track.

But often, I don't just focus on core principles. Instead, I go a little further, suggesting that maybe some parts of the market are more attractive than others. Useful advice? It probably isn't as useful as I like to think.

Jonathan is the author of "You've Lost It, Now What? How to Beat the Bear Market and Still Retire on Time," published in 2003. His earlier books include "25 Myths You've Got to Avoid -- If You Want to Manage Your Money Right" and "Funding Your Future: The Only Guide to Mutual Funds You'll Ever Need." He has two children and lives in Metuchen, N.J.

5. How's your own portfolio done?

I drink the same Kool-Aid I push. In other words, I own a broadly diversified portfolio composed almost entirely of market-tracking index funds.

For each market sector, I have a target portfolio weighting. For instance, I aim to keep 25% of my total portfolio invested in bonds and 75% in stocks, with 30% of my stock portfolio allocated to foreign markets. At least once a year, I rebalance back to these targets.

With this strategy, I tend to do a little better than the stock-market averages when stocks are falling and a little worse when stocks are rocketing higher. But either way, there's usually nothing very exciting about my portfolio's performance.

Nonetheless, at age 41, I have amassed more than half the money I need for retirement. Sure, keeping investment costs low and avoiding big investment mistakes has helped. But that isn't the main reason my portfolio has grown so much.

Instead, I got there by being a tightwad. Every time I have a few bucks to spare, I send it off to one of my index funds.

You won't get many Wall Street pundits boasting about their saving habits. But make no mistake: Saving like crazy has undoubtedly been my smartest investment strategy.

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