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## Staying OK with a 401 (k)

Pittsburgh Business Times - by [Pittsburgh Business Times Staff](#)



Joe Wojcik

Eric Dickerson, president of Eric Dickerson Associates, a South Side-based personal finance management training firm, says market uncertainty shouldn't compel hasty changes to retirement accounts. "This is a good wake up call, a good kick in the tail that you need to stay on top of your investments," Dickerson said.

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With the stock market currently on a roller coaster ride and the banking industry in turmoil, it's easy for small investors to despair when they see the impact on their 401(k) plans.

But investment advisors and others say despite the uncertainty in the markets, making drastic changes to 401(k) plans out of fear isn't wise. "Don't pull your money out of your 401(k) plan and stick it in your mattress," said Eric Dickerson, president of [Eric Dickerson Associates](#), a South Side-based personal finance management training firm. "Don't make this kind of decision when you're angry or afraid."

In light of the current uncertainty on Wall Street, [The Pittsburgh Business Times](#) talked to local financial gurus and got their suggestions for three main categories of 401(k) participants: those just entering the work force, those at the midpoint of their careers and those closest to retirement. The consensus from all the experts for all three groups: Don't panic.

### NEW INVESTORS: STAY THE COURSE

"People are usually driven by fear and greed, and they sell and buy at the wrong times," said Paul Brahim, managing director of [BPU Investment Management Inc.](#), Downtown. "For the youngest workers, this is the time to just play Rip Van Winkle. But don't try to beat the market, let the market do the work for the next 20 years. You have to maintain a long-term horizon, so don't fret."

Roselyn Wilkinson, a certified financial planner with [MD&A Financial Management Co.](#), said to think of this time as an opportunity. "If you've got a long time horizon and can handle fluctuations, allocate your money to stock funds — both domestic and international," she advised. "The stock market is the only 'market' where things go on sale and people going running for the exits instead of buying on the cheap."

Joseph Nicola, tax director at the Downtown offices of Sisterson & Co. LLP, an accounting and financial

consulting firm, said for younger workers just getting started, the “vicissitudes of the market” shouldn’t be of much concern. “For a person with time on his or her side, this will become a moderately unattractive memory to look back on in 20 years.”

#### **IN THE MIDDLE OF THE ROAD: PATIENCE**

“Most people think of their time horizon as their retirement date, which assumes they’ll drop dead the day after they retire,” Brahim said. Those in their 30s and 40s might pull back on equities, but there’s time, he said. “As ugly as things look right now, this is not a depression. You still have more than 10 years to recover.”

He recommends a 40/60 bond/stock allocation in such a person’s 401(k).

Dickerson said it’s important for investors at this stage to keep long-term goals in mind. “You have to clearly understand what you need to achieve the retirement you want,” he said. But it should be realistic, too, he added. “You’re not going to have caviar and lobster every day; there may be a bologna or ham sandwich in there once in a while too.”

Middle-career investors should also use the current market slide as an opportunity, Dickerson added. “This is a good wake up call, a good kick in the tail that you need to stay on top of your investments.”

Wilkinson said it’s important not to try to keep up with the Joneses: “Usually 401(k) vendors provide a lot of information to help participants identify their own goals, assess their own individual tolerance for risk and understand their options,” she said. What’s right for your co-worker might not be the appropriate strategy for you.”

#### **NEARING RETIREMENT: GET BUSY**

This is the time to review your investment strategy, experts agree. “If you’re retiring next year, an all-equity portfolio probably isn’t the best choice for you,” Wilkinson said. “Now isn’t the time to sell out of it, but once the markets recover, reallocate to some less-volatile funds.”

And, keep the lines of communication open with your financial advisor, Nicola added. “This would be the time to check with them on the tax implications,” even in a good market, he said. “Obviously, you’re getting to the point where you can’t absorb too much in the short term.”

Being informed, about your investments is a good idea in a strong or weak economy, Nicola said, and the guidance of a good financial adviser is crucial, He paraphrased former Fed Chairman Alan Greenspan, noting that if there is “an element of irrational exuberance, an investment is probably too good to be true. “A good investment adviser is always going to step back and pull the reins in, be prudent. That’s extremely critical, in any market.”

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