It's now or never - single women in her 40s - financial planning

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Getting fiscally caught up is imperative

M. STARITA BOYCE, ED.D., OF RIVERDALE, NEW York, has always believed that achieving one's financial goals takes hard work, solid investments and time. Boyce, a 40-year-old who develops community programs and inner-city initiatives for the American Bible Society, has been Saving as far back as she can remember. She recalls receiving an allowance from her father and savings bonds, as Christmas presents, from her grandfather. Her mother then took her to open a Christmas fund at a local bank when she was barely tall enough to reach the teller's window. By the age of 12, she was saving money through her account at Carver Savings in Brooklyn--and proud of banking with a black-owned financial institution. (Now renamed Carver Bancorp Inc., the institution is No. 1 on the BE BANKS list and is on the BE Black Stock Index.)

By 1981, Boyce had opened an individual retirement account, but she cashed it around 1988 to pay for her doctoral studies. By the time she received her doctorate in education with a concentration in finance in 1992, Boyce was in debt to the tune of $40,000 in student loans and about $7,000 in credit card bills.

After reviewing her statements and calculating how much she would end up paying back if she stuck to the minimum payment schedules, she came to realize she would pay two or three times what she'd borrowed. Instead, Boyce devised a plan: she sent in a check every other week and attached a note specifying that the payment was to be applied to her principal balance outstanding. This way, Boyce saved tens of thousands of dollars in finance charges, and she knocked off all of her debt in less than 10 years.

Along the way, Boyce says, she restricted unnecessary spending. "When my girlfriends were going to Bermuda and getting manicures, I didn't," she says. "I learned to sacrifice and appreciate the free things in New York."

Boyce now has $30,000 saved for retirement. She invests nearly $5,000 annually in a 403(b) plan--the nonprofit equivalent of a 401(k)--and her employer matches those contributions. She also puts her annual tax refund into a Roth IRA. And, because she is single, she has put aside an emergency fund that would pay her mortgage for 10 months in the event she is disabled or suddenly loses her job.

Boyce has also planned ahead. In fact, she is actively seeking long-term care insurance. A financial planner advised her to wait until she's 50 for such insurance, but Boyce wants to get the coverage now. She feels it's only practical to do so. "The reality is that I don't have a husband or kids," asserts Boyce, "so who would take care of me if something happened to me?"

Although none of us can predict what our health will be like in our later years, Boyce has a clear vision of her future as a retiree. "My retirement gift to myself, hopefully, will be a boat," Boyce says. She would like to sail in different ports around the country and enjoy serene evenings cruising the waters and eating fine cuisine. "I find water to be very calming and I would like to have as stress-free a life as possible. That's what I look forward to in retirement--just enjoying life."

Unfortunately, most 40-somethings haven't had the foresight to plan ahead to the same extent as Boyce has. The fact remains that for many people, especially African Americans, retirement planning remains a distant goal: something they hope to get around to but never quite do soon enough.

Just ask Dale Bryant, portfolio manager at the Bryant Group in New York City. He says that when people in their 40s come to him as new clients, he's hoping it's to fine-tune financial goals. "Because the fact is that even a 20-year time span may not be enough for some people contemplating retirement," says Bryant.

For example, he notes that if someone stashes away $300 a month and has 20 years until retirement, assuming a 12% annual return, at the end of those two decades that investor will have $296,000. "That's not a lot of money, considering inflation," says Bryant. He goes on to calculate that, upon the individual's retirement, if that $296,000 was placed into a bond fund gaining 5% in order to preserve the principal, the money would earn about $14,000 a year in interest--hardly enough on which to live.

To get much higher returns, 40-somethings need to have stock and mutual funds in their investment mix. Of course, one should begin an aggressive investment program once their house is in order. High quality growth funds include Invesco Telecommunications Fund (ISWCX), John Hancock Regional Bank Fund (FRBAX) and Aim Blue Chip Fund (ABCAX). In terms of stock picks, experts identified Dell

Computer (Nasdaq: DELL) and Cisco Systems (Nasdaq: CSCO) as those with maximum growth potential. For conservative investors seeking income and not much risk, they may want to buy utility stocks (average dividend yield: 4.5%) such as Southern Co. (NYSE:SO) and American Electric Power (NYSE: AEP).

GETTING OFF TO A LATE START

Planning early is a necessity because research shows that people will continue to live longer. In the book The Truth About Money (HarperCollins Publishers, $25), statistics show a 45-year-old is expected to live until the age of 79. And experts caution women to be especially vigilant about their finances and retirement planning because they usually live longer than men. However, too many women get off to a late start when planning for their financial future.