

Saving and Investing Tips for the Under-30 Set

Richmond Brothers' Matt Curfman, 29, shares smart ways to save

BY NANCY BALDWIN MILLER

When he was 17, Matt Curfman made an unusual choice. The Vandercook Lake High School student started putting money into a Roth IRA. It's probably a safe bet that he was the only student at his school thinking about retirement. Curfman knew that starting to save when he was young would pay off big later in life.

Now 29, Curfman is senior vice president of investment services at Richmond Brothers Financial Management Specialists, Inc., where he co-manages several hundred million dollars for clients more than twice his age.

The Eastern Michigan University graduate and certified financial planner follows his own advice, investing in a Roth IRA and maxing out contributions to his 401(k) each year. While only 11 years into saving for retirement, starting young has allowed Curfman to build a substantial retirement nest egg.

"The biggest roadblock to saving and investing is procrastination," Curfman said. "I hear it from my friends who say they want to wait until they make more money, pay down debt or buy the car of their dreams. The truth is, the earlier you start saving, the less you have to save each month to reach your goals."

Curfman flew into the investment world under the wings of David Richmond, founding partner, chairman and chief investment officer of Richmond Brothers.

"When I was 17 and still in high school, I did an internship at Richmond Brothers," Curfman said. "David showed me statistics about the importance of saving in my 20s. I've never forgotten them. Those numbers are still profound."

Curfman explained that at age 25, if you invest \$200 a month and earn an average 8 percent rate of return and retire at 65,

you would have almost \$703,000. If you wait until 30 to start saving \$200 a month with the same rate of return, the amount you save dwindles to \$461,000 – about \$242,000 less. And if you don't begin investing until you're 35, you would have about \$300,000. Waiting 10 years to begin saving yields a whopping \$400,000 less than if you had started saving when you were 25.

"Although \$200 a month sounds like a lot, it's \$2,400 a year – smaller than the average federal tax refund," Curfman said. "In the long term, that \$2,400 a year can turn into more than \$700,000."

According to Bloomberg, a global provider of financial news and information, saving just \$75 a month starting at age 20 until you're 40 in a no-load mutual fund (a fund that has no sales charge when shares are bought or sold) with an 8 percent annual return can net more than \$35,000 before inflation adjustments.

"For a young person, a Roth IRA and the new Roth 401(k) are without a doubt the best options to save," Curfman said. "Right now, the federal government is spending a lot of taxpayer money on stimulus plans to bolster the economy, Social Security, Medicare and Medicaid. For those under 30, that may mean higher taxes in the future.

"The benefit of putting money into a Roth is that you pay taxes when you earn the money, but you will never have to pay taxes when you make withdrawals if you're at least 59-1/2," Curfman explained. "The money you put away grows tax free during your lifetime. It's like paying taxes on the seed, not on the harvest."

For 2009, if you're single and your adjusted gross income (AGI) was less than \$105,000, you can contribute up to \$5,000 in a Roth IRA. If you're married and filing

jointly and earn less than \$166,000, you can contribute up to the full amount, \$5,000 each.

With a Roth 401(k), the advantage is that there are no income limits for making contributions. Annual contribution limits are the same as for 401(k) or 403(b) plans and depend on your employer's plan.

For example, a plan might limit your contribution to a maximum of 10 percent of your salary or permit the \$16,500 contribution limit for 2009. Be sure and check your employer's plan. Keep in mind that the total amount contributed to a Roth 401(k) and traditional 401(k) or 403(b) combined cannot exceed \$16,500.

The second best way to save is through a 401(k) or 403(b) plan through your employer. A 403(b) plan is for Michigan government employees, schools or nonprofit agencies. With a 401(k) or 403(b), your withdrawals are taxed at your regular income tax rate.

"If your employer has a match, contribute enough to take advantage of the match because it's free money," Curfman said. "Don't ever leave free money on the table. If you're trying to focus on saving for retirement, I recommend leaning toward a heavy percentage of stocks and some bonds. "And if you haven't started saving, now is a good time. It's like the stock market is on sale. It takes less money to buy stocks today, but you get more for your money because you're buying it at substantially reduced prices."

Despite the pendulum-like stock swings on Wall Street, if you begin investing when you're young, odds are that you'll be able to retire in comfort and even in style. "Those of us under 30 have the power of time behind us," Curfman said. "We should use that power to secure our future."

