Book Review

30-Minute Money Solutions: A Step-by-Step Guide to Managing Your Finances

Sharon A. DeVaney

Author: **Christine Benz**
Publisher: John Wiley & Sons, Inc. (2010)
ISBN 978-0-470-48157-8

Christine Benz is Director of Personal Finance for Morningstar, the well known Chicago investment research firm. She was motivated to write this book after noticing that investors reacted to the 2008 bear market with denial, anger, bargaining, depression, and finally acceptance. Benz' five stages sound like the five stages of grief identified by psychiatrist Elisabeth Kubler-Ross in the late 1960s. Because many people believe that managing their finances is an impossible job, Benz decided to suggest a simple plan of action using manageable steps. The book includes 11 parts; each part includes between two and five chapters. In addition, there is a free Web site at www.morningstar.com/goto/30MinuteSolutions. At the site, a person can download worksheets, use financial calculators, and view lists of the best investments for various goals.

Part One: Find Your Baseline. The first step in Benz' plan of action is to create a net worth statement. There is a worksheet on the site to help readers record taxable accounts, retirement accounts, the market value of assets such as a home and cars, the face value of life insurance policies, and debts such as outstanding credit card balances, the amount remaining on a mortgage, auto loans, student loans, and home equity loan statements. Is it reasonable to think that a person could develop a net worth statement in 30 minutes? Probably not, but it would be possible to get started.

The second step is to develop a personal cash-flow statement. This worksheet is also available at the Web site. After recording cash in and out, a person is asked to determine what percent of income should be saved. The third step is to set financial goals. The Web site includes a goal planning worksheet. After completing the worksheet, readers are encouraged to prioritize their goals. Then they are encouraged to quantify their goals using calculators available on the site (e.g., calculators for retirement, college, and other goals).

The fourth step is to create a budget. A budget worksheet is available on the Web site. In summarizing this first part of the book, Benz reminds everyone that they have developed a net worth statement, a cash-flow statement, established goals, and created a budget. I assume that some readers will have already completed these steps and will be able to skim through the first four chapters; others will want to work through Part One in detail.

Part Two: Get Organized includes three chapters. They are creating a bill-paying system, creating a filing system, and creating a master directory. Each step is described as a 30-minute task and each step has enough detail to help someone get started if they have not done this before. A strength of Chapter 6 is the worksheet on "Save, Shred, or Recycle." Chapter 7 on creating a master directory is a good reminder of the importance of recording URLs for Web sites and user names and passwords as well as names and phone numbers of financial advisors.

Sharon A. DeVaney, Ph.D., Professor Emeritus, Department of Consumer Sciences and Retailing, Purdue University, West Lafayette, IN 47907, (719) 488-6687, sdevaney@purdue.edu

Part Three: Find the Best Use of Your Money addresses the question of paying down debt versus investing. In Chapter 8, an Expected Return worksheet is recommended for analyzing the asset allocation of investments. When calculating the expected return, Benz recommends using as a benchmark 2% for cash, 4% for bonds, and 6% for stocks. Benz includes a prioritized list for whether to invest or pay down debt. For example, should a person prepay their mortgage or contribute to an Individual Retirement Account? In Chapter 9, Benz recommends a sequence for deciding where to invest for retirement. This is her suggested sequence: (1) company retirement plan to earn a match, (2) Roth IRA or deductible traditional IRA or Roth 401(k), (3) company retirement plan to the maximum contribution limit, (4) traditional nondeductible IRA, and (5) taxable account.

Part Four: Get Started in Investing includes five chapters: creating an emergency fund, finding the right stock/bond mix, creating an investment policy statement, investing for short-and intermediate term goals, and creating a hands-off, long-term portfolio. In Chapter 11, Benz encourages the use of the Morningstar Instant X-Ray Tool to identify asset allocations. To do this, a person will need to enter the name and amount of each investment. I was surprised that Benz did not include an assessment of risk tolerance in the chapter on creating an investment policy statement. I believe the chapter should include a discussion of risk tolerance and two or three surveys or scales to help readers assess their risk tolerance.

In Chapter 13, Benz offers suggestions for identifying investments for a period fewer than two years from the savings goal, two to five years from the goal, or five to 10 years from the goal. In Chapter 14 on creating a long-term portfolio, Benz discusses target-date funds, index funds, and active funds. She says that she focuses entirely on mutual funds in the book to create a simple, straightforward portfolio. This is the author's technique for simplifying the book and I agree that is probably a good idea. However, readers who want more information will need to refer to other sources on investments.

Part Five: Investing in Your Company Retirement Plan. In Chapter 15, Benz says that readers should look for mutual funds with expense ratios that fall below the following thresholds: U.S stock funds, less than 1.25%; bond funds, less than 0.75%; and foreign stock funds, less than 1.5%. Another point that Benz makes is to look for a minimum of five years for mutual fund manager tenure. She reminds readers that contribution limits for company retirement plans are much higher for 401(k), 403(b) and 457 plans than IRAs, allowing a wage earner to shelter more investment income from taxes.

In Chapter 16, Benz suggests the use of a worksheet to compare Roth 401(k) plans versus traditional 401(k) plans. In Chapter 17, Benz offers suggested allocations of stocks, bonds, and cash based on a person's retirement time frame. Chapter 18 focuses on a sensitive topic: how to make the most of a subpar 401(k) plan. Benz suggests using an IRA as an alternative to a subpar 401(k) plan but only after a comprehensive study of the company plan. A subpar 401(k) plan might have only a few investments or investments might be limited to only one company that had a poor performance record.

Part Six: Investing in an IRA includes four chapters on determining what type of IRA is best for you, determining the best investments for your IRA, determining whether to convert your IRA, and rolling over your retirement plan to an IRA. These chapters are meant to provide specific information to readers so generalization about the content of each chapter is not helpful for all readers.

Part Seven: Investing for College includes three chapters on finding the right college savings vehicle, the right 529 plans, and the right investments for your college savings plan. These chapters will be interesting to a specific group of readers such as parents of young children or grandparents who want to invest for grandchildren.

Part Eight: Investing in Your Taxable Accounts includes chapters on identifying the best investments for taxable accounts, managing your portfolio for tax efficiency, and harvesting tax losses. These chapters will be particularly helpful for investors who have made plans to contribute to retirement and/or education accounts and have additional funds to invest.

Part Nine: Investing for Retirement. The chapters include determining your portfolio withdrawal rate, building an in-retirement portfolio, and the sequence of in-retirement withdrawals. In Chapter 29, which is "Determine Your Portfolio Withdrawal Rate," Benz suggests the use of Morningstar's Asset Allocator but you must be a paying member of Morningstar site to use this tool. Readers are advised to contact Morningstar for the current cost of a membership. As an alternative to the Morningstar Asset Allocator, Benz recommends using a free Retirement Income calculator developed by T. Rowe Price. In Chapter 31, which is "Find the Right Sequence of In-Retirement Withdrawals," Benz recommends this sequence: accounts that carry required minimum distributions, taxable assets, traditional nondeductible IRAs, and finally Roth IRA assets. If readers have all of these accounts, they might have secured the services of a financial advisor to help them establish a sequence of withdrawals.

Part Ten: Monitoring your Investments. The topics are conducting a portfolio checkup and rebalancing. In these chapters, Benz recommends using the Morningstar Instant X-Ray Tool to check on a person's asset allocation. To use this, readers will need to supply information on which funds they own and the amount in those funds. I believe that some readers will be willing to provide this information and others will prefer not to enter their personal information for analysis.

Part Eleven: Covering Your Bases on Estate Planning. The three chapters in the final part are: Get Started on your Estate Plan, Handling Beneficiary Designations, and Creating a Personal Legacy. In the final chapter, Benz recommends developing a personal legacy for your family. In the worksheet for a personal legacy, a person is encouraged to record values and core beliefs, major life achievements, the impact of special individuals, and other information.

Summary. I believe that educators and practitioners will find *30-Minute Money Solutions* to be an excellent resource. This book is different from many "how to manage your finances" books because it emphasizes the process of investing instead of reducing debt. Benz uses easily understood terminology and her explanations are clearly written. In each chapter, Benz discusses the importance of the topic, provides worksheets to record information, and offers tools to analyze the situation. In many of the chapters, Benz provides a mini-case study to help illustrate the need for the recommended action.

The reader will find that Benz frequently refers to the previously developed worksheets and calculators that are available on the Web site. In other words, it is important to invest time in the beginning to complete the work sheets. Along the way, a person will become familiar with using the Morningstar Web site for calculations and information. The Web site is www.morningstar.com/goto/30MinuteSolutions. There is no requirement to become a paid subscriber to Morningstar. However, some readers might want to do that after they read the book and feel comfortable with Benz' recommendations.

Educators might include this book in a list of resources for a workshop. Also, educators might assign some of the chapters to emphasize a particular topic. For example, chapters in the part on investing in an IRA, investing for college, or investing in your taxable accounts. Financial advisors could include this book as a resource when they develop a client newsletter. Counselors could print the online worksheets and use them when meeting with clients either individually or in a group. In summary, I believe this book will appeal to many readers.