101 Money Secrets:

Tips from America's Top Money Minds

BLUE DOLPHIN GROUP®
MONEY UPDATE

101
Money Secrets:
Tips from America's Top Money Minds

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There has never been a time in American history when individuals have been more informed, more empowered, and more "in the mood" to take charge of their personal finance and investing success than now. The success of the stock market, the rise of the internet, and the mainstreaming of personal finance as a polite topic of conversation at dinner parties have all contributed to this wonderful trend.

The driving force behind this occurrence is access to *information*. Never before has the individual investor or the household money manager had such low-cost access to such high-quality information. This trend is spearheaded by our partners, the publishing companies you'll find featured in **101 Money Secrets.** They have invested and continue to invest untold billions of dollars to ensure that each of us has the opportunity to get world-class personal finance and investing information, analysis, and advise on a regular basis and in a timely fashion.

We would like to thank them for their past and future success in making this information available to the American reading public, and for their participation in bringing **101 Money Secrets** to you.

Our sincerest thanks to the publishers of:

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and all of our other partners. It is *their* talent and dedication to the mission of providing this information to the American consumer that makes our work possible.

Prosperous reading...

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Anticipate rate increases with these indices

Wouldn't it be great if you could read Alan Greenspan's mind? **Follow the National Association of Purchasing Management Production and Price indices,** and you'll get a handle on what the Federal Reserve Bank is going to do.

Values above 50 in these indices mean production and price increases are speeding up; below 50, that they're slowing down. Whenever both have risen above 60 at the same time, the Fed chairman has responded by raising the discount rate.

— *Bloomberg Personal Finance*

2

Simple questions help investors pick winners

Confused by all the factors that others use to pick stocks? **Simple screening techniques involve "Yes" answers to questions like these: Does the company have a strong brand position within a growing industry?** Is the company gaining or at least maintaining market share?

Other questions include whether the company's strategy makes sense, and whether it's focused on a single set of products and services.

— *Kiplinger's Personal Finance*

3

Keep up with whisper numbers on the Web

Shhhh! Here's a tip to keep to yourself. **Now you can get a sneak peek at the whisper numbers–insider estimates on corporate earnings** – that can have a dramatic effect on the market.

Several websites, such as whispernumbers.com, earningswhispers.com, and streetiq.com, offer the general public a look at what Wall Street insiders already know. Since stock prices can turn on these numbers, it pays to be in the know.

— *Online Investor*

4

Ride safe with convertibles

Still searching for the silver lining in the technology sell-off cloud? **Try looking into convertible bonds.** Converts are a higher yield over the stock and a more senior claim on assets in case of bankruptcy; you get equity exposure without undertaking the full risk of a common stock position.

A convertible slides toward either the stock or the bond side. When the underlying common rises, it trades more like stock, and its fixed-income characteristics become less important to its value.

— *Forbes*

5

Winning tech stocks tackle impossible jobs

Even if you're wary of the Net stock bandwagon, experts say you should try to keep about 30% of your portfolio in tech. **One of the pros' tricks for picking tech stocks is to choose those with business models that could never have been achieved without the Net.**

Stocks like eBay, for instance, allow a collaborative integration of previously impossible or difficult things. Another tip: pick Net companies with the momentum of sales growth beating the momentum of expense growth.

— *The Industry Standard*

6

Warning: Steer clear of stock fraud

Unscrupulous scoundrels are out there to take advantage of investors. **Peruse issuers' public filings and find the red flags:** stock issued via warrants, convertible debt, or bridge loans that convert to stock—visit the Edgar database at sec.gov.

Also, whenever you deal with new brokers, be sure to ask for their personal, and their firms', disciplinary records. Be skeptical, and check out promoters who boast stocks cheaper than $5 a share.

— *Kiplinger's Personal Finance*

7

Volume is as crucial as price in market watch

Although pricing data is the most commonly-used indicator in analyzing stocks and the market, there's another, independent indicator that should be used to confirm price action. **Volume is extremely useful for such indications as an impending bear market.**

Normally, volume rises with prices. However, rising prices and falling volume, or falling prices and rising volume, are clues that the market is about to take a dive.

— *Technical Analysis of Stocks & Commodities*

8

Stop yourself from making buy, sell mistakes

If you're unsure about your buying and selling skills, as many investors are, try setting some limits for yourself. **Use stop orders to be satisfied with 10-15% gains and similar losses.**

This kind of self-discipline prevents you from panic selling, and most particularly from having to worry about when to get out of a losing position—one of the hardest things most investors have to do.

— *Online Investor*

9

Standbys are essential for secure success

Dotcoms will continue to come and go, **so it pays (literally) to keep a diverse portfolio.** Holding shares in financials, consumer goods, and pharmaceuticals will keep you financially dry when it rains on the Wall Street tech parade.

Investing in one of these indices can help smooth out the peaks and valleys in a portfolio.

— *The Kiplinger Letter*

10

Get on the right path with a good tracker

Checking the markets in the newspaper limits your info. **Use a Web-based tracker to check your investments**. Sophisticated trackers help you keep a handle on your asset allocation; track your capital gains; alert you to buy or sell; and even allow you to easily copy your portfolio.

You will also be able to record all your investments—stocks, funds, and cash—and display them on the screen.

— *Online Investor*

11

Buy from both ends

Truly conservative investors take the path of least risk. **Check out the routes you typically leave uncharted, and devote at least some money to more growth-oriented companies.** Covering all your bases—playing truly conservative—will certainly benefit when the road gets rough.

Keep the bulk of your assets in a laid-back portfolio and put a sliver in a more-aggressive group of stocks.

— *Kiplinger's Personal Finance*

12

Trading workstation can make decisions a snap

Do you need your trading decisions to be simple and direct, with real-time market information to back them up? **Check out ProphetStation, a new screening workstation that's fast, flexible, and above all, easy to use.**

ProphetStation (prophetfinance.com) boasts strong customer support and is altogether an excellent option for online traders who base their trading on simple principles.

— *Technical Analysis of Stocks & Commodities*

13

Stock analysis is easy as 1-2-3

The basics of stock analysis aren't hard to master – if you know what they are, and where to get the information. The first question you should ask is "What does the company do?" **Look at the shareholder letter in the annual report, and you'll get the answer.**

Question #2 is, "How fast is the company growing?" The answer lies in the income statement in the quarterly and annual reports.

— Morningstar Stock Investor

14

Know thyself: Trade when you're at your peak

Traders who hit the markets on a bad day are headed for disaster. **Among the questions you should ask yourself before trading every day is "Could I concentrate on a game of chess to beat a strong opponent right now?"**

If the answer is no, you're not ready to compete with the big boys in the market today. Other factors that effect trading performance are recent wins and losses, and whether you've been following a good trading plan in making those trades.

— Technical Analysis of Stocks & Commodities

15

Accounts receivable hold clue to success

Looking for the truth in a maze of high-tech start-ups and upstarts? **Find out where the bodies are buried by taking a look at quarterly balance sheets, in particular accounts receivable.**

Divide receivables by average sales per day to determine how fast a company collects. A good number, like Microsoft's, would be about 45 days. Taking more than six months to collect is bad news.

— The Industry Standard

16

Time to ease out of tech and into bonds

With certain corrections going on in the market, it might be a good time to consider scaling back the percentage of your portfolio that's in tech stocks. **Instead, consider buying high-quality bonds, which may well outperform the average stock between now and the next recession.**

When growth slows and interest rates drop again, bond prices rise. Also, the U.S. Treasury's plans to buy back most of its outstanding debt are causing long-term Treasury bonds to soar.

— Your Money

17

Day-trading pros must pick professional venue

Serious day-trader wannabes must find reputable, quality off-floor venues where they can ply their trade. **One crucial thing to look for in a company is a cost to you of one and a half to two cents per share and no more.**

Keeping your trade costs down is crucial because professionals know that even the best traders have good years and bad months too. Any firm that relies on the current hot market streak and gouges you for more isn't a place you want to trade.

— *Technical Analysis of Stocks & Commodities*

18

Selling is such sweet sorrow

Although you should know when it's time to sell, being overprotective and watching your stocks' every move is not the way. **Review annually and set up an early-warning system.** If you review more often, you're probably not giving some stars a chance to shine.

Scheduling a December review will allow you to match gains with losses for tax purposes—just in time for tax-planning season.

— *Bloomberg Personal Finance*

19

CEOs welcome investors to the conference room

Companies are understanding that their needs coincide with investors' and are making efforts to be more personal. **Visit a corporate website and access everything from the latest figures to executive speeches**. Learn what institutional investors know, and possibly figure out something they haven't!

The Securities and Exchange Commission wants to change the rules of disclosure, proposing that large and small investors receive information at the same time.

— Bloomberg Personal Finance

20

Stay on top of overlaps

Are you building your portfolio for diversity? Are you sure you're not sabotaging yourself? **Make informed decisions when you diversify.** Overlaps could creep up and undermine your efforts; funds that have a lot of overlap move up and down together, causing too much exposure to one sector—and that's risky business!

Know how funds fit into your overall portfolio. There's software available to help you reduce overlaps.

— Bloomberg Personal Finance

21

Don't bank on stocks staying down

The best things—including big payoffs—come to those who wait. **Buy bank stocks, even though they may be seemingly beaten.** Their profits continue to grow, modestly at the very least, regardless of climbing interest rates.

An exercise in patience is in order: be prepared to hold your shares until interest rates stabilize, and ready to profit when bank stocks rebound.

— Morningstar StockInvestor

22

Fly high with mid-caps growth

Although they struggled getting off the ground in large-cap-dominated 1997 and 1998, **check out mid-cap growth funds.** They grew 65% last year, and have been soaring ever since. Expect high volatility; the average fund in this group dedicates more than 43% of assets to the technology arena.

Check out MAS Mid-Cap Growth (MPEGX), Invesco Dynamics (FIDYX), and Janus Enterprise (JAENX): just to name few options in this category that might suit your needs.

— Morningstar FundInvestor

23

ETFs let you get in and out of funds quickly

Believe it or not, there is a way to get stock market thrills in your fund investing. **Consider an exchange-traded fund, which mimics the performance of the major indexes and whose shares can be actively traded.**

One such fund is Qube (QQQ), which follows the Nasdaq-100 index. Recently-launched funds such as iShares from Barclays track the S&P index and new offerings from State Street and Merrill Lynch.

— *Kiplinger's Personal Finance*

24

Beware media-crowned fund gurus

When you're investing in mutual funds for the long term, don't be dazzled by the fund guru of the moment. **Instead, trust your money with less famous managers** who have long-term records of steady, above-average results.

These managers tend to have an understandable strategy and style—they should be able to explain their strategy to an eighth-grader—which is less volatile and easier to stomach than those of more high-profile managers.

— *Family Money*

25

Why are municipal bonds in trouble?

Bad news: E-commerce mania may be eroding the credit quality of your municipal bond portfolio. **Protect yourself by getting out of issues that are backed purely by sales tax revenue** – it's one of the top three sources of revenue for states.

The problem is that if traditional retailers suffer under the tax-free e-commerce boom, there is less sales tax to service your muni bond interest and principal payments.

— *Forbes*

26

Large-cap fund allocation is key to the future

Traditional thinking tells us that your fund allocations should lean toward small-cap companies, which have a better performance record than large companies. **Forget that old thinking and buy large companies that can get larger by expanding globally.**

In today's economy, the winners of the next decade are those who can tap a viable market overseas as well as top the charts at home. In the future, we'll look back and think mere national brands were, well, quaint.

— *Your Money*

27

Try these no-fail tips for picking funds

Don't be fooled by the current hot economy when putting your money into mutual funds. **Among the best tips for picking funds that are right for you is checking a fund's long-term performance,** preferably over 10 years.

Don't chase recent hot performances, and make sure it's the current fund manager who achieved that performance. Also, consider the fund's average portfolio turnover rate during the past three years – high turnover leads to higher brokerage costs and tax liabilities for shareholders.

— *Your Money*

28

Sell? Hold? What to do with that fund?

If you're not sure whether to dump or keep a mutual fund, consider these tips from "The New Commonsense Guide to Mutual Funds" by Mary Rowland: **Do sell if the fund switches asset classes (small-cap to mid-growth, for example)** and you already own a fund in that area.

Don't sell because the market has declined; expect ups and downs. Do sell when a successful portfolio manager leaves, but don't sell on impulse. Instead, compare your fund to others in its asset class and with its corresponding index, such as the S&P 500.

— *Ladies' Home Journal*

29

Gourmet e-tailing could be wave of the future

Looking for the next big thing on the Net? **Consider the future of specialty retailing, which avoids the razor-thin profit margins of mass marketing,** and is capturing the attention of investors everywhere.

Specialty ventures selling everything from jewelry to high-end sports apparel have big margins, more efficient marketing, and more long-term stability than mass-market retailing.

—*The Industry Standard*

30

E-banks are a good bet for the future

E-trading is hot, but what's the next big thing? **Online banking is the Internet's sleeper industry, with projections of $39.5 million in annual revenues in 2002,** compared to e-trading's $5 billion.

Unlike trading, banking is something everyone has to deal with sooner or later. The best bets are brick-and-mortar banks that offer online banking; they have an existing customer base, a recognized brand, and an established track record to attract needed capital.

— *The Industry Standard*

31

Hot startups eye small-business online barter

Barter has long been a good way for small businesses to stretch scarce resources. Now there's a new breed of b-to-b e-commerce startups trying to use the Web to make barter a key tool for millions of small businesses.

Companies like **Lassobucks.com, BigVine.com, and BarterTrust.com** have a long way to go yet with this brand-new business model, but venture capitalists are jumping on the bandwagon.

— *Red Herring*

32

Bye-bye ERP companies. Make way for ASPs!

The end of huge sales and double-digit revenue growth may be in sight for enterprise software giants like Oracle and SAP. **Instead, companies renting out networking apps via the Net are poised to take off.**

New companies like Asera and Breakaway Solutions, and divisions of AT&T and EDS, are called ASPs—application service providers. Renting software applications lowers up-front costs and support costs for corporations, and negates the need for costly server hardware.

— *Forbes ASAP*

33

Online ballot box gets votes for hot Net newcomer

Looking for an industry that could consist of several multi-billion-dollar markets? **Consider online voting companies, the first voting method ever to substantially increase voter participation in a statewide election.**

Election.com is the most prominent of such companies, including Voter.com and Grassroots.com, and has partnerships with companies like VeriSign, iVillage, and Cisco, as well as almost $10 million in first-round funding in anticipation of an IPO.

— *Red Herring*

34

Wireless Web challenges traditional portals

Powerful Web portals like Yahoo have become the blue chips of the Nasdaq, but that could change soon. **With the rise of the wireless Web, telco companies like Sprint can offer their own portal to the Web** – and Yahoo need not apply.

Gartner Group predicts that in three years, more than one billion mobile phones will be in use to access the Net, and none of those users will be required to enter via AOL, Yahoo, or any other traditional portal.

— *Forbes.com*

35

E-biz relies on ERP consulting — but not the usual suspects

The big business of e-business isn't platforms, tools, or apps; it's consulting services. **But it's not one of the big five, like KPMG Consulting or Andersen Consulting–in which you should be investing.** Try newcomers like Scient, Viant, and Breakaway Solutions.

These companies offer flexibility, speed, custom performance, and deep accountability; they've steadily eroded the client base of the big five ERP consulting firms.

— *Upside*

36

Supply chain management is about to get sexy

Now that e-tailing has taken off like a rocket, what's next? **Supply chain management–companies that can help all those busy e-tailers actually fulfill the orders they receive–is a hot new sector to be in.**

With e-tailing growing, and fulfillment proving to be the weak link, anyone who can help prevent disaster is in big demand. This includes everyone from outsource specialists like UPS and Fingerhut to Yantra, a company that makes fulfillment software and lets e-tailers build their own virtual warehouses.

— *Upside*

37

Catalog-to-Net is route to e-tail success

Trying to figure out the eventual winners and losers in the e-tailing feeding frenzy? **Definite profitability is emerging for catalog companies that have gone online,** while very few pure-play e-tailers are making any money.

Catalog retailers have long been direct-marketing experts, and e-tailing is nothing if not pure direct marketing. Better still, online activities can actually boost revenues for off-line operations, since the number of catalogs that must be mailed is dropping dramatically.

— *The Industry Standard*

38

ECredit holds B2B Net commerce in its hand

The hot new business-to-business Internet economy is opening a window for a new application to be the Microsoft Word of B2B. **ECredit, a company which automates the all-important credit process in B2B transactions,** has the potential to be integrated into every business exchange on the Net.

ECredit has created a complex database that manages credit approval by connecting with major credit bureaus. Online credit is considered the key to making a success of any B2B e-commerce business.

— *Red Herring*

39

Check out a real estate partnership for gain

Real estate investment trusts have stumbled lately, but tread carefully when looking for an investment alternative. **Real estate partnerships, also known as syndication, are one option if you take certain precautions.**

Partnerships have a troubled history for a reason, and it's important that you know the potential pitfalls, such as a variety of fees, illiquidity, pricing, and risk.

— *Forbes*

40

Adult ed becoming high-growth business

An overlooked segment of America's gross national product is experiencing a huge upsurge. **Continuing adult education is the wave of the future,** with Americans spending some $1 trillion each year on education and training.

This boom is also fueled by profound changes in society; as technology and the knowledge economy grow, so does the need for continuing education. Companies like Sylvan Learning Centers, Apollo Group, and Learning Tree International hope to benefit in a major way.

— *Forbes*

41

Online banks eye new profits south of the border

There's a new market just waiting to be won over by online finance companies. **Latin America has one of the fastest-growing online populations in the world, and it's ripe for online banking** because of the poor service provided by traditional financial institutions there.

Companies like Miami-based Patagon.com should eventually make huge profits providing online financial services, especially now that venture capital is becoming more available for Latin American startups.

— *Kiplinger's Personal Finance*

42

Bn.com could be sleeper success story of the Net

Don't write off venerable bookseller Barnes & Noble as simply a footnote in the history of Amazon.com. **Wall Street is enthusiastic about the future of the company's Bn.com,** with some even rating it a long-term buy.

Barnes & Noble plans to be much more than Amazon.com; it's got plenty of cash, good management, and a well-known brand; and it has no long-term debt. What's not to like? In fact, it's a bargain compared to Amazon.

— *Upside*

43

Traditional retailing holding its own against the Net

Think e-tailing is the wave of the future? **Real-world retailers are still making the bulk of the world's retail sales.** Computer hardware and software vendors will be the hardest hit by a growing e-tail market.

Conventional retailers will have to add an Internet presence to their efforts, but retail sales on the Net will still only total a modest 4% of overall sales in the next four years—so don't dump your Winn-Dixie stock just yet.

— *Red Herring*

Retirement

44

You're ready to retire—but are you prepared?

When you're facing a constant barrage of credit-card finance charges, it can be hard to contribute to your retirement account. **Consolidate high-interest credit cards into a home equity loan**. You'll be able to reduce your debt and save for retirement at the same time.

If you wrap up credit-card debt into a loan that refinances your house, consolidate any remaining debt on cards with lower rates.

— *Business Week*

45

Don't get 401 KOed!

Cashing out your retirement plan can leave you down and out a lot of money. **Keep your 401(k) intact with your former employer when you change jobs.** You'll allow more money to accrue, instead of paying penalties and extra income taxes earlier than necessary.

Be sure to understand your company's matching policy. The company 401(k) match plan is possibly the closest most of us will come to free money!

— *Morningstar FundInvestor*

46

Profit on the IRA fast track

The amount of money in IRAs has more than doubled since 1993 to $2.1 trillion, and less 5% has come from new contributions. **Contribute up to $2000 to a Roth IRA and cash in on the best savings opportunity around.** You'll earn more money for your retirement, and be able to withdraw it tax-free!

IRAs are no longer parking spaces for money; they're the fast lane to wealth on the financial highway.

— *Kiplinger's Personal Finance*

47

Bond portfolio beats funds for retirement

Shop around for bonds for retirement cash. **If you're a buy-and-hold investor with at least $50,000 to invest, a portfolio of high-quality corporate, Treasury or municipal bonds** is probably your least-expensive option.

Mutual funds offer one-stop diversification, but typically cost much more to maintain than a portfolio of bonds. For instance, until you own more than $100,000 in Treasury bills and notes, it won't cost you a dime to manage them through the government's Treasury-Direct program.

— *Kiplinger's Retirement Report*

48

Retire from your 401(k) years

If retirement doesn't turn out to be the Norman Rockwell scene you imagine, try becoming a consultant. You'll be able to use your experience, stay active at your own pace, and earn some extra money—without all the grief!

Would-be retiree consultants should polish their neglected skills, such as typing, or learn new skills, such as managing an e-mail account. Look into agencies like IMCOR and New York's Executive Interim Management that match retirees and temporary assignments.

— *Business Week*

49

IRA-to-Roth conversion raises taxing questions

The creation of the relatively new Roth retirement plans raises the question of whether you'd be better off converting that old IRA. **The question is: would you be better off paying taxes on your savings now or later?**

If you expect to be in a higher tax bracket when you retire, then it makes sense to convert and pay taxes now at the lower rate. If you expect to be in a lower tax bracket upon your retirement, it's best if you don't convert.

— *Kiplinger's Personal Finance*

50

Retirement savings should combine with tax planning

One of the keys to a solid retirement plan is to integrate your tax and investing plans. **Keep income-generating investments in tax-deferred accounts,** and keep aggressive investments outside those accounts.

You should also employ trusts, foundations, and partnerships to save on taxes as part of your estate planning, and take advantage of every deduction available to you, including prescribed vitamins, home-office deductions, and even home computer costs, if you use it to track your own investments.

— *Your Money*

51

Don't corner your retirement in your company

Professional money managers wouldn't dare stuff their portfolios with one stock, but 401(k) investors do it all the time. **Avoid heavy doses of company stocks.** Keeping company stock between 5% and 10% of your 401(k) holdings can be more beneficial!

Unless it can show compelling reasons for doing otherwise—legally—a corporate pension plan can only invest 10% of assets in its own company.

— *Family Money*

52

Avoid Social In-Security

The decision about when to start collecting Social Security benefits can mean the difference between getting the most out of the system—or leaving money on the table. **Wait until you turn 65 to collect social security.** You'll get the full benefits calculated on your lifetime earnings.

Under the new Social Security schedule, which goes into effect this year, retiring at 62 will cost you 20.83%—a bite that will climb, in stages, to 30% by 2022.

— *Business Week*

53

Portable processor could be a huge tech hit

On a few historic occasions, high-tech companies have placed enormous bets on technology that could transform an industry—for instance, the Macintosh. **The next such historic winning bet could be Transmeta's Crusoe,** a microprocessor for portable computing devices.

Handhelds and cell phones are considered the next big hardware wave, but they won't go anywhere without a standard platform, which Transmeta believes it can develop.

— Red Herring

54

These brokers let individual investors in on IPOs

Most brokers require huge balances—$100,000 or more—for investors to get IPO shares on release day at the offering price. Now some firms are letting less high-rolling investors in on the deal, including **e-trade (etrade.com), FBR Investment Services (fbr.com), and Wit Capital (witcapital.com).**

Dutch auctions and lottery systems are among the methods used to allocate the shares, and you don't have to be Warren Buffett to be eligible.

— Online Investor

55

Find the financial planner who's right for you

No matter how modest your portfolio, sometimes it pays to spend money getting a pro's help in managing it. **First, decide what your special needs are, then find a financial planner who specializes in your area** – such as college savings, retirement, or single parents' finances.

You can start your search with groups such as the National Association of Personal Financial Advisers (888-333-6659; napfa.org) and the Financial Planning Association (800-282-7526; fpanet.org).

— *Consumers Digest*

56

Higher education cost-shortcuts

Take advantage of the change in next year's capital gains taxes. **Give stock to your children in school now for next year's tuition,** assuming you're too affluent to receive financial aid. Your students will pay capital gains at an 8% rate.

A couple can give someone up to $20,000 a year without incurring gift-tax liability. Beginning January 1, 2001, for taxpayers in the 15% tax bracket, the capital gains rate will fall from 10% to 8% for assets held for 5 or more years.

— *Forbes*

57

Finding the way to your children's education

The biggest asset when it comes to financing your children's education may not be your income, investments, or home equity—it just may be your children! **Search near and far for scholarship money.** You'll find local chapters of fraternal organizations like the Kiwanis Club, and national companies like Coca-Cola, offer scholarships.

National databases rarely list local awards, so finding them often requires old-fashioned page-turning. Begin your scholarship search in the high school guidance office.

— *Family Money*

58

Save college funds—and some taxes!

Finances for higher education could be just a state away. **Save money for college in a state-sponsored college-savings plan.** Your savings will get a boost because it will grow tax-deferred until it's used for college; then the earnings are taxed in the student's tax bracket (usually 15%).

This year, 14 states have added new plans, and some existing plans have waived fees, reduced penalties, and expanded tax breaks. Luckily, 24 state-run savings plans are now open to any United States resident, and all allow you to use your money to pay expenses at any accredited college in the U.S.

— *Kiplinger's Personal Finance*

59

Good lending sites make mortgages painless

Mortgage lending sites abound on the Web, right? Yes, but it's still a tricky proposition, so **use sites like Quickenloans to find the best rate, and then contact the lender directly.**

No site can tell you exactly what your rate will be until your credit history is factored in, and you don't want to give such details immediately. Use Quickenloans (quickenloans.com) to find a variety of products, get live telephone support, and make the most of Web lending.

— Forbes.com

60

Pay student loans slowly to maximize savings

So you're saving to buy your first home, but those pesky student loans are hanging over your head. **Don't spend your money paying off those loans early** unless your total debt is more than 36% of your monthly income.

Mortgage lenders typically only look at monthly cash flow in determining how much to lend, so getting those old student loans out of the way won't really help, and it might slow you down in reaching your down-payment goal.

— Online Investor

61

Don't pay cash, get a mortgage for empty nest

Thinking of downsizing now that your nest is empty? **It can actually be smarter to get another mortgage,** tempting though it might be to pay cash with the proceeds from selling your former home.

Say you get a mortgage for about 8.5%, but you're only paying about 6% because of the tax deduction for mortgage interest. You can actually earn more than that with your cash by investing it in long-term CDs or mutual funds, so it makes sense to borrow even if you're retiring.

— *Your Money*

62

Find your way home with MAP100

Prospective homebuyers often tap into their 401(k)s when they need cash for down payments. Looking for another option? **Ask your employer about the Mortgage Acceptance Program (MAP100).** If they offer MAP100, you'll be able to get a no-down-payment mortgage from an outside lender at lower rates than you'd normally pay for such a loan.

With MAP100, you can keep your 401(k) savings intact and save yourself the worry of a loan coming due if you lose or switch your job.

— *Kiplinger's Personal Finance*

63

Alpine annuities offer safe tax haven

If you want tax-free savings, which are paid out in installments after retirement and taxed as income at post-retirement bracket levels, try an annuity. **Your best bet these days are Swiss annuities, which usually charge lower fees** while providing yields that are often higher than U.S. annuities—all with a lower default risk.

Two online sources for researching and buying Swiss annuities can be found at mtbi.com and warburg.com.

— *Online Investor*

64

Investors: Avoid making the most common tax goof

Even the most savvy investors suffer from amnesia of sorts. **When you sell a fund, always remember to include the long-term capital gains and dividend profits you reinvested** when calculating how much you paid for the fund.

Forgetting about that later reinvestment, especially over the course of the 10 years or so that most investors keep a fund, is easy to do—but it could raise your taxable capital gains profits by thousands of dollars.

— *Kiplinger's Personal Finance*

65

Splitting heirs lays tax woes to rest

Although estate heirs don't have to pay income tax on inheritances, they do owe income tax on post-death payouts from inherited annuities, 401(k) plans, and IRAs. **Claim itemized deduction for estate taxes.** You'll be able to deduct a prorated portion of the estate tax; this amount would be a miscellaneous itemized deduction.

Deduction is available even if the estate tax hasn't been paid.

— Kiplinger Tax Letter

66

Win by having portfolio losses?

Let Uncle Sam help you ease the pain—share your losses! **Look for losses to offset your gains and avoid taxes**. You can use losses to offset as much as $3000 in wage and salary income.

Short-term losses are most useful—on assets you've owned less than a year—because they can offset short-term gains that would otherwise be taxed at up to 39.6%. Keep close tabs on your portfolio to make it work; and revisit your taxes periodically.

— Business Week

67

Avoid huge returns resulting in hefty capital gains

In 1999, there were a lot of big winners among mutual funds as 178 funds reeled in 100%-plus annual returns—keep it out of Uncle Sam's pocket! **Know your funds that have the potential to yield a hefty income-tax bill.** You'll be able to plan ahead and avoid some tax-season woes.

Plan ahead: avoid buying a fund that has a lot of unrealized gains, if you're shopping for a new fund; or place funds that typically have been big winners with a high turnover rate in a tax-advantaged account.

— Morningstar FundInvestor

68

A tech stock for all seasons

Own stocks that can weather rough patches along the way. **Look for companies involved with integrated access devices (IADs).** You'll be able to play these stocks several ways: look for brand-name companies like Ericsson; the electronics-manufacturing service providers like Celestica; and companies, including Texas Instruments, that provide components inside the device.

These devices combine various elements of personal computers, televisions, and mobile handsets in many forms. Smart phones are one example.

— Red Herring

69

Technology: Smaller is better

High tech just keeps getting smaller. **Investors are beginning to eye handheld devices, whether cell phones or PDAs,** though there's a lot of volatility in this industry.

The key to success will be developing software that works on both kinds of wireless devices, and while no clear-cut favorites have emerged yet among app developers, now's the time to start picking horses.

— *Upside*

70

Climb every branch of the technology tree

Technology is a hugely important engine of economic growth; make sure your holdings are diversified across the technology sector. This broad sector spans numerous industries, all of which have different growth patterns, profit dynamics, and valuations; diversity within the sector can help keep you ahead during technology sector drops.

If you also own stocks in tech subsectors such as semiconductors and hardware makers, the damage doesn't seem quite as bad when Internet names take a fall.

— *Morningstar StockInvestor*

71

The future of the Net is in optical networks

Some observers are predicting a 2-billion user traffic jam on the Internet in the next two years — so where does that leave Net investors? **Those who have put their money into optical network providers, infrastructure, and manufacturers will be celebrating,** while others weep.

That's the view from venture capitalist Jennifer Gill Roberts, who predicts a huge cycle of growth for those who provide these services as well as the transmitters, receivers, filters, switches, and the like.

— *Worth*

72

Green, green is my portfolio

You may not be as concerned about socially responsible investing as you are about market share, indices, and valuations, **but there's a growing consensus that green companies are also well-managed companies.**

For instance, an energy conservation policy is also a money-saving endeavor, leading to higher profits. Thus, the Domini Social Index of 400 stocks actually outperformed the S&P 500 by 1% from 1995 to 1999.

— *Red Herring*

73

Deferred compensation—a trap for the unwary

Deferred compensation has become a status symbol for flashy CEOs, **but it would probably be a big mistake for you—albeit a big advantage for your employer**—unless you're planning on your current job being your last.

The primary advantage of deferred compensation is a decrease in taxes, but if your income won't be dropping for years to come, there's no reason to defer taking your money. If you're young, let's face it, you'll find plenty of uses for your money soon enough.

— *Worth*

74

Play the options game for salary gain

So, you accepted a large share of stock options with your tech company instead of a big salary, and now they're worth a whole lot less? **Don't panic—this might be the time to ask for more options, to help you cash in on the opportunity at hand,** and average out your higher-priced options.

You could also ask your firm to reprice your options at a lower rate, though this is less desirable for companies. Either way, if you still have confidence in your company despite recent tech setbacks, now's the time to opt in.

— *The Industry Standard*

75

Look to Internet commerce to blast off in Asia

What's the new frontier for the old new frontier, the Internet? **The Asian Internet is poised for incredible growth,** with about 374 million people projected to be online by 2005 (more than the current U.S. population).

E-commerce will, as in the U.S., be the initial driving force in the Asian Internet, fueled by companies like FirstEcom.com, which enables banks and customers to process electronic payments via the Net. Other e-commerce ventures in Asia should follow in FirstEcom.com's success.

— *Worth*

76

Buy beyond the border and benefit

There are many financial opportunities to be found abroad. **Invest internationally,** and you'll create a more stable portfolio; stocks in foreign markets do not move simultaneously with their U.S. counterparts.

Cellular telephone leader Nokia, food conglomerate Nestle, and entertainment superpower Sony are highly popular and extremely profitable, but none of them are U.S. companies.

— *Bloomberg Personal Finance*

77

China tech companies eyeing major world role

In a huge potential market, several Chinese firms are hoping to become the AOL of China, complete with AOL's dominance. **These include Pacific Century CyberWorks and Tom.com, both of whom have raised millions** in venture capital funding.

What's more, China's government is so anxious to nurture its tech sector that it's actually backing off its previous role of tight control. Such stocks will probably start by trading in Hong Kong's Growth Enterprise Market.

— *Forbes*

78

What do Finnish investors know?

It's stock-market mania on a global basis. **The value of a $10,000 investment in an index of the Finnish stock market, largely led by Nokia, after one year is now at $111,990** – that's a whopping 1,120% return.

Other winners were the Hong Kong index ($28,953), and Brazilian index ($27,907); and technology index ($26,548). Japanese stocks, small-gap growth funds, German stocks, international small-caps and China regional funds round out the top nine, all roughly doubling. Number 10 is the Nasdaq index.

— *Consumers Digest*

79

See the sites before going abroad

U.S. companies—all of which are required to report accounting methods uniformly and have full disclosure—are more investor-friendly than our overseas neighbors. **Seek global investing expertise.** Seeing the (web)sites before you take off can reduce the turbulence.

Start at The British Daily's website, ft.com; they offer surveys on over 50 countries and follow 70,000 public companies.

— *Bloomberg Personal Finance*

80

Half-a-world away

Although the world is moving toward a uniform accounting standard, we're not there yet, so foreign numbers can be difficult to compare, when you're trying to pick individual foreign stocks. **Check out the value and income of American Depository Receipts (ADRs).** With ADRs you get financial reports in accordance with United States accounting standards.

ADRs are negotiable certificates that represent one or more foreign shares, which are in the custody of a big U.S. bank, such as Citibank and Bank of New York.

— *Forbes*

81

Satellites eyed as next Net partner to hit big

Streaming media has become the latest buzz on the Net, but it's fraught with quality problems. **Many observers believe the answer lies in satellite streaming media,** and new partnerships between satellite providers and Net content companies are being formed daily.

Companies such as RealNetworks, Akamai, Cydera, and iBeam are betting they can beat terrestrial providers at the streaming media game, especially if big-event Net broadcasting takes off.

— *Business 2.0*

82

Telco firms about to take market by storm

A number of soon-to-be-public telecommunications companies are sure to be among those fueling the Nasdaq's future rise above 6,000. **These include Chromatis Networks, Inc., CopperCom, Corvis Corp., Jetstream Communications, LuxN, and Sonus Networks, Inc.**

With their demonstrated staying power in a tough sector, these firms are considered very viable prospects for the long term among all private companies preparing to go public.

— *Upside*

83

European telcos eye global Net domination

The world's first truly global Internet companies may not be born in the U.S. **European telecommunications companies are poised to dominate the Internet** and reap the world's first global profits, too.

Backed by their governments, the telcos have launched major Net spinoffs. The purchase of Lycos by Spain's Terra—spun, for example, from Telefonica—has created the first international Net company.

— *The Industry Standard*

84

Inspect the unexpected

Buying a house is exciting and time consuming. So even though it may seem like one more bothersome detail, **get a prepurchase inspection done.** An inspection will yield a catalog of problems, shortcomings, failures, and their possible remedies; it will help you make a wise investment—instead of a costly mistake!

If you still decide to buy a house in which problems are found, you'll know what trouble spots lie ahead and can better negotiate purchase terms.

— *Family Money*

85

The best jumbo grills have more power, baby

Suddenly, top-of-the-line gas grills are hot. **Make sure you're getting the most versatility for your money by getting as many BTUs as you can afford** if you're going to spend as much as $7,000 for the newest big-boy toy.

That way you get the most versatility—the high heat you need for direct cooking, and lower heat you need for slow, indirect cooking. Also key are ceramic radiants (not lava rocks), durable stainless steel or cast aluminum, and side burners for the side orders.

— *Kiplinger's Personal Finance*

86

Think again before you click to buy a car

Smart car shoppers use the Internet, but they aren't buying online. **Get price quotes online.** You can take them to the dealership and negotiate an even better price for the car you want.

Consumers who bought a car over the Net paid an average of 6.5% more than those who went to the dealership. Most dealers will meet or beat a price quote they made over the Internet when you show up in the showroom.

— *Family Money*

87

You can save money and still get a hot PC

PCs just keep getting cheaper, but it's not always the cheapest deal that's the best deal. **Among the top cheap PC manufacturers, your best bet is Compaq,** which can offer a fast Celeron processor, lots of RAM, high-quality graphics, a solid warranty, and Internet-service rebates, all for less than $600.

The flashy newcomer to this field, eMachines, has cheaper computers, but it makes up for that with skimpy technical support and warranty policies.

— *Consumers Digest*

88

Plan to rest financially peaceful

Beyond the cost of a funeral, there's also rising burial costs to worry about as you plan your estate. **One less-expensive alternative is to contact local or regional memorial societies, which find less-expensive (yet dignified) options** and offer them at the lowest prices around.

Other options include burial brokers, who will price and make all arrangements for you, and religious groups, which offer reasonable packages.

— *Consumers Digest*

89

Buying biotech? Here's a way to hedge bets

The biotech sector is treacherous but exciting, and there's a considerable sum to be made in investing. **A good rule of thumb for investing in biotech funds is to consider dollar-cost averaging,** in which you put a small amount of money into a fund regularly, instead of one lump sum.

Biotech is volatile, and many of the stocks are trading at heady multiples. Dollar-cost averaging lets you hedge your bets while still taking advantage of biotech's best.

— Morningstar FundInvestor

90

There's a right way to invest in biotech

A lot of naysayers fear biotech stocks, but others are excited about the sector in the new millennium, with decades of research about to pay off. **One key to picking the best bets are checking out the management team, looking for Nobel Laureates, finding managers experienced at navigating the FDA process,** as well as choosing solid underwriters such as Merrill Lynch or Goldman Sachs.

Also be sure to check for adequate cash on hand, any profitable partnerships in the works, and large market cap.

— Online Investor

91

Retain the right attorney

The patent mania for undefined intellectual material in the tantalizing genomics biotech sector makes this an investing minefield. **It's not a bulletproof test, but one of the most important assets a startup can have is an on-staff patent attorney** who specializes in biotech and has litigation experience.

Better yet, a lawyer who's been associated with Amgen or Genentech is ideal. Many biotech upstarts don't have any patent intelligence on board at all, unbeknown to most investors.

— *Red Herring*

92

Cure bad biotech investing

There may be considerable profit to be made from biotechnological advances, but that doesn't mean you should invest blindly. **Look for a health-care fund with a long track record**—one that's proven itself in a variety of markets. You'll avoid the gimmicks of unappealing investments that hide behind words like "genomics" and "medical."

Interested in young funds? Consider those that are offered by an established fund family, where you can be reasonably confident that experienced analysts back the portfolio manager.

— *Morningstar FundInvestor*

93

Avoid second-visits to medical funds

Although there are some differences among biotechnology funds, they all invest in a similar basket of stocks. **Don't buy more than one biotechnology or healthcare fund.** This way you'll avoid buying most of the same stocks twice.

Dresdner RCM Biotechnology (DRBNX), Fidelity Select Biotechnology (FBIOX), Rydex Biotechnology (RYOIX), and Monterey Murphy New World Biotechnology (MNWBX) are a few funds that may suit your needs.

— *Morningstar FundInvestor*

94

Big Brother's watching you on the road — and saving you money!

Insurance companies—though they know your gender, age, and residence—are clueless about the actual driving risks you take. **Ask your insurance company about cellular tracking technology like Autograph.** You could end up with a more accurate premium.

A device is installed in your car; insurance companies compare driving patterns with safety statistics and calculate your premium. It gives you incentive to reduce risky driving.

— *Business 2.0*

95

When interest rates rise, look to CDs to save

With interest rates rising, CDs have been making a comeback. **Choose a three- or six-month CD when interest rates are rising.** You can lock in an even higher rate when you renew.

Conversely, you should take on a two and a half- to five-year CD when interest rates start to drop, in order to hang on to that higher rate as long as possible. Thanks to banks' need to meet huge loan demands and the Fed's raising of key interest rates, you can find interest as high as 6 or 7%.

— Your Money

96

Money mismanagement 101

Nellie Mae, in 1998, found that 60% of college loan applicants had credit card debt, with an average of $1,843. If your student needs help, **try an online debit card.** You'll be able to control the money and monitor the spending via the Internet or telephone.

PocketCard (pocketcard.com) is an online debit card that allows you to provide your student with financial support—without having to take a crash course in managing credit card debt!

— Family Money

97

Have fun investing in hot leisure companies

Several trends will effect the success of leisure companies over the next few years. **Companies which cater to shorter vacations (Carnival and Royal Caribbean cruise lines) and plain old speed (Harley-Davidson)** are popular with Wall Street.

Another trend to keep in mind is that television isn't just broadcast anymore, and companies like ATT-Liberty, which has large holdings in cable channels, will also fare well.

— *Family Money*

98

Music firms must change their tune to survive

The music industry is in for a major shakeup. **The big winners will be the traditional music companies who successfully join in the Internet revolution,** with a business model that protects copyrights while still offering value to the consumer.

Companies who already own copyrights and traditional distribution methods, ultimately, can't beat the brash newcomers of downloadable music, so they'll have to join them.

— *Business Week*

99

GM hopes to lead carmakers into cyberspace

Nothing is more old-economy than America's carmakers, and GM is the most lumbering of these dinosaurs. **But a new, young president and his plans to use the Net to generate revenue and trim costs has Wall Street eyeing GM** with new respect.

GM plans to use the Net to save $1 billion in purchase orders and keep revenue rolling in on new cars with its high-tech OnStar navigation system. And where GM goes, others will follow, including Ford and DaimlerChrysler.

— *Forbes*

100

Put your money on Matchbox, not gizmos

There's one high-tech sector to be avoided like the plague. Toy manufacturers have discovered the hard way that simple is still better – **those who have classic brand names like Monopoly, Crayola crayons, and Play Doh are the ones enjoying success,** even in the new high-tech era.

High-tech toys have been a disaster for most manufacturers, leaving Mattel, Hasbro, and other old-economy firms a better bet than new companies based on technology toys, such as The Learning Company.

— *Forbes*

101

Hydrogen eyed as oil of the future

If you're in the market for a long-term sleeper, **consider hydrogen: companies such as Shell Hydrogen and DaimlerChrysler** are backing a promising effort to replace dirty, inefficient oil-burning vehicles with hydrogen-powered ones.

Many countries are hoping to replace fossil fuels with hydrogen, for political, economic, and environmental reasons. And with gasoline prices rising steadily, the economics of producing hydrogen are looking better and better.

— *Red Herring*