

## Surviving the Recession: Where's a Safe Place to Stash Your Cash?

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After the worst year for the stock market in decades and a financial crisis that has rocked the nation's banks, who could blame investors for wondering whether there is any safe place to put their money now?

Yet, experts insist, there still are secure places to protect your cash and be in a position to profit when the market recovers.

Exactly what to do depends on how close you are to retirement, how strong your risk tolerance is and how badly you need your money now in a recession that already has wiped out millions of jobs.

But before doing anything, people need to save. There is no substitute for the systematic, automatic, bite-the-bullet socking away of money -- especially for emergencies.

Despite the industry's financial woes, banks still are the safest place to park savings, especially since the government bumped each bank's FDIC deposit insurance from \$100,000 to \$250,000 per account holder.

As far as investments go, cash is still a priority for senior investors and those nearing retirement, two groups of people who generally need to protect their principal.

Many people already have fled to the safest havens they could find, diverting billions of dollars to U.S. Treasury securities, savings deposits and other conservative cash investments.

### Rates on CDs too low

The appeal of secure money has been undeniable during tough times, even for investors many years from retirement. But those investments are not necessarily safe, either -- even if you tie up your money for a long time to get the higher available rates of return.

The problem is that average rates on a certificate of deposit recently fell to less than 3 percent for five years and 2.5 percent for one year, according to Bankrate.com. That means inflation can easily eat away the returns. Savings and T-bill rates have dipped even lower, to less than 1 percent.

Some have found a viable option in Treasury Inflation-Protected Securities, a government-backed bond whose principal -- and subsequent interest payout -- adjusts upward based on the inflation rate, so that your money at least keeps up with the cost of living.

### Some risks are required

Though that's good for your peace of mind, TIPS won't yield the healthy returns you may need to build a robust nest egg. That will require taking at least some risks.

"If your time frame is between five and 10 years before retirement, these are safe investments," said Greg McBride, senior financial analyst for Bankrate.com. "But beyond that, you run the risk of investing too conservatively. I mean, for longer than 10 years, keeping your money in cash doesn't compensate you for the risk of inflation. It would be 'safe' in name only."

In general, the massive flight to cash that took place last year went against the conventional wisdom that says investors should stay the course and think long term. A diversified portfolio of stocks, bonds and cash carries you through even the worst downturn, the financial adviser's template says.

Last year's historic crash shook that advice to its roots, as many blue-chip financial stocks tanked amid the meltdown.

"Diversity failed in 2008," said Cary Carbonaro, a financial planner with Family Financial Research in Clermont. "Every asset class fell with one exception: government bonds. Most of us have never seen anything like this."

Diversity is still the rule

That doesn't mean, however, anyone has discarded the approach. It's just a matter of diversifying smarter -- and perhaps more conservatively -- in the current market.

"A diversified portfolio is still very much appropriate for a long-term investor who is still at least five years from retirement," said Paul Auslander, a financial planner and CEO of American Financial Advisors Inc. in Orlando. "While this market didn't support the theory [of diversification], the concept still applies."

That may still be a tough sale for investors burned in 2008. Ultimately, however, almost everyone who fled the market must answer a problematic question: When do I get back in?

That's where Michael A. Ross is today: standing on the sidelines looking for opportunities, bargains and the right time to buy. The former Disney computer engineer, who now owns an Internet communications business in Orlando, yanked all his money from the market last fall after his losses topped 20 percent.

"The smartest thing I did was to stay away from all sharp objects," he said, laughing. "Actually the best thing I did was to get out of the market. The worst thing? I didn't get out soon enough."

Total safety doesn't exist.

Investors are understandably wary, but they're going to have to get used to taking risks again, while realizing there is no sure thing out there, said Philip van Doorn, a financial analyst with TheStreet.com Ratings, based in Palm Beach Gardens.

"There's just no such thing as total safety these days," he said. "Even if you buy gold, the value of gold could plummet. Putting money in the bank is fine, as long as the FDIC insurance is there to pay if the bank fails. People must realize there's just no absolute certainty in this current environment."