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Spending Well

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WORK AND SUCCESS

Talking Points



MATT ROTH FOR THE NEW YORK TIMES

Life-Saving Medicine
That's Just Thrown Away

The federal Medicare program and private health insurers waste nearly \$3 billion every year buying cancer medicines that are thrown out because many drug makers distribute them only in one-size-fits-all vials that hold too much for most patients, according to researchers at Memorial Sloan Kettering Cancer Center. Some of these medicines are distributed in smaller vial sizes in Europe, where governments play a more active role than the United States does in drug pricing and distribution.

The Itch After a Road Trip

Exterminators around the country report a growing problem with bedbug complaints at hotels. A University of Kentucky survey of nearly 2,100 travelers in the United States found that a single recent online review that mentions bedbugs lowers hotel room values by \$38 for business travelers and \$23 for leisure travelers. But two-thirds of travelers the university surveyed couldn't identify a bedbug.

Progress, Sort of, for Women

After more than 20 years of effort, the federal government has, for the first time, met its goal of awarding 5 percent of the money it spent on contractors to businesses owned by women. The news comes on the heels of a Commerce Department analysis showing that businesses owned by women are 21 percent less likely to win government contracts than otherwise similar companies.



PATRICK SEMANSKY/ASSOCIATED PRESS

Billboards That Know You

Clear Channel Outdoor Americas, which has tens of thousands of billboards across the United States, is partnering with several companies, including AT&T, to track people's travel patterns and behaviors through their cellphones. By aggregating the trove of data, Clear Channel Outdoor hopes to provide advertisers with detailed information about the people who pass its billboards. With the data and analytics, Clear Channel Outdoor could determine the average age and gender of the people who are seeing a particular billboard and whether they subsequently visit a store.

In Times of Risk, Know Thyself

YOUR MONEY
RON LIEBER

Tests can measure how much turbulence in the market you can tolerate.

It's time you got to know yourself a little better.

And the time is now, when the stock market has been mostly falling, the talking heads are raising their voices, and your friends are asking if you're selling your investments and putting money under the mattress. Suddenly, they see risk everywhere. That can lead to hasty financial decisions and stock transactions that you may regret.

To combat those feelings, you can conduct a self-evaluation of your risk tolerance. FinaMetrica and Riskalyze have built businesses around these assessments. Both have made versions of their tools available to New York Times readers. FinaMetrica's is at riskprofiling.com/nytfreetest. Riskalyze's exercise is at www.riskalyze.com/nytpreview. The new robo-advisers have their own risk quizzes, as do many traditional brokerage firms.

Try a few. There are few financial tasks more important than acquiring this self-knowledge because too many people don't know their tolerance well enough and take on too much risk. This can result in buying more investments while stock prices are high and selling when stocks have plunged, locking in losses. The result of such moves is too often a portfolio that earns less over the years than it may have if you had just left things alone.

FinaMetrica's co-founders say they believe that sorting out someone's risk tolerance is one of three crucial steps in figuring a person's overall risk profile. The first part is determining how much risk is required for you to meet your goals: What annual return will you need on your investments to meet them, given what you think you can save? This is not always easy to sort out.

Most people have a bunch of buckets of money for different goals. So what are you aiming to do, and by when? Buy a first home in five years? Send a child to college in 15 years? Retire in 30? And which is most important? Unless you make or save so much money you can meet those goals through guaranteed returns on certificates of deposit, you'll probably need to take some investment risks.

The second step is figuring out your risk capacity. Can your plan withstand major events that you may not expect, like a mentally ill adult child who requires expensive treatment, the death of a spouse or your own disability? If there's a shortfall somewhere, can you grab money from other sources? This

is one area where a good financial adviser can help by making highly educated guesses about the odds of extreme market events testing your capacity or destroying it.

Risk tolerance is the third step, and it's all about feelings and personality. How does taking financial risks turn your stomach — or turn you on? Humans aren't so great at figuring this out for themselves, and financial advisers may overestimate clients' intestinal fortitude.

This is where the tests try to help. FinaMetrica asks more questions that range wider. Riskalyze focuses on specific investing situations and whether you might consider certain risks based on the possibility of various returns. Both ask for email addresses, and they have no intention of selling the data; Riskalyze will send a follow-up note to see if you want the company to pair you with a financial adviser.

Among the advisers I communicated with that use the tests, the majority seem happy with the results, though they say a numerical score is only a starting point for conversation. Riskalizes' scores

1 How much risk is required for you to meet your goals
What annual investment returns will you need, given what you can save?

2 Figuring out risk capacity
Can you withstand unexpected events, like a mentally ill adult child who requires pricey treatment, a spouse's death or your own disability?

3 Risk tolerance
It's all about feelings and personality. Does taking financial risks upset your stomach — or get you excited?

range from 1 to 100. If yours is under 45, you'll probably sleep best with a portfolio that is mostly bonds, cash and stocks that hold up well when markets are churning. Over 75, and an account filled with stocks, real estate and commodities probably won't give you an ulcer.

If you're part of a couple, it's crucial both of you take the same test separately. For FinaMetrica, the

average score for men is 54, while women are more risk averse at 47. "That is a reconciliation challenge," Paul Resnik of Riskalyze said. "She is going to live longer and need to take a bit more risk."

It's also worth noting a strong minority of advisers think that scores are bogus or that any risk assessment process is incomplete by its nature. "The biggest problem is that people do not know their tolerance until they have been tested," Gifford Lehman of Integris Wealth Management in Monterey, Calif., said. He would ask about how you dealt with the 2008-9 market collapse.

According to FinaMetrica, about 60 percent of the people who take the test and consult with an adviser find there is no investment strategy that will allow them to reach all their goals given their risk tolerance. But there is no shame in changing a goal or two. So you push your target retirement age to 68 or decide you can live on 72 percent of your preretirement income instead of 78. And if it keeps you from living with anxiety every time there is a market hiccup, you'll probably be happier for it.



ROBERT NEUBECKER

Ideological Opposites Come Together on Anti-Poverty Push

ECONOMIC VIEW
EDUARDO PORTER

If you have been paying attention to America's paralyzed politics, you are not going to believe this.

Some of the leading thinkers on opposite sides of the ideological divide — experts on the right who have advised Republican policy makers alongside left-leaning scholars who have Democrats' ear — came together to champion an increase in the minimum wage.

They didn't stop there. In a report by the Brookings Institution and the American Enterprise Institute, they recommended attaching a job requirement to the food stamp program, to compel poor people to work. They endorsed marriage, as well as birth control. They called for increasing the earned-income tax credit for adults without children. They proposed more federal invest-



SAM HODGSON FOR THE NEW YORK TIMES

A LIVING WAGE Scholars on the left and right agree on a hike to the minimum wage. A rally in Manhattan.

ment in early childhood education and community colleges. They defended a common core in education.

To pay for it, they recommended culling corporate boondoggles and individual tax expenditures that benefit the wealthy, like farm subsidies and the mortgage interest tax deduction. And they urged reducing

attention to poverty and find a set of viable ideas on the shelf.

The collection of proposals — from promoting strong and stable families to improving the quantity and quality of work — adds up to a coherent approach to improving an anti-poverty strategy that has fallen short of its goals. This raises a tan-

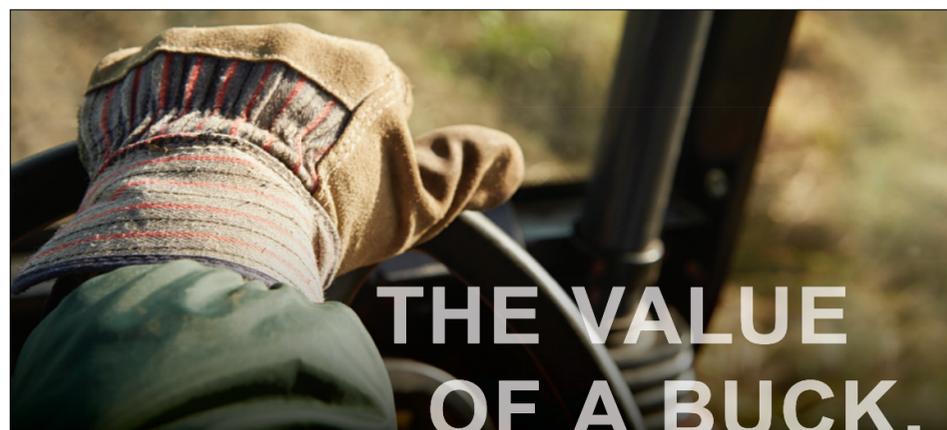
talizing prospect. Is it possible that combating America's entrenched poverty — the deepest among advanced industrialized nations — may have become salient enough for the left and right to break through the ideological gridlock? "The report took us longer than we thought," Sheldon Danziger of the Russell Sage Foundation said. "But everybody agreed that even though there were things in it we didn't like, the package together would be better than the status quo."

A dose of skepticism is probably wise. Preserving the bipartisan balance required a lot of vagueness that would never survive the political arena. Touchy subjects like race were mostly left off the table. And though bipartisanship may have committed both sides to work from the same facts, it did nothing to alter how each side weighed them.

Consider the call to increase the minimum wage. The scholars made

note of the Congressional Budget Office's assessment that the Obama administration's proposal to raise the federal minimum wage to \$10.10 from \$7.25 and index it to inflation would provide higher pay to 16 million to 24 million workers and lift a million people out of poverty — at a cost of 500,000 jobs over three years and a slight uptick in consumer prices. Conservatives still found the costs too high and the benefits insufficiently compelling. Nonetheless, in the service of a deal, those on the right and the left held their noses and agreed to "recommend an increase below what the administration has proposed, but still large enough to substantially improve the rewards associated with work among the less-skilled."

Yet common ground does exist. Understanding the causes of poverty has improved over the last few decades, helping push solutions through the ideological fog.



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