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MANAGING YOUR MONEY, WORK AND SUCCESS

Spending Well

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Talking Points

A Swift Decline For the Daily Deal

LivingSocial was among the biggest unicorns of its day, reaching a valuation of $4.5 billion by late 2011. But consumer fervor for its daily deals has cooled, and the company now offers a glimpse of what some of today's unicorns might look like several years down the road if things go awry. Living Social has sold off most of the foreign companies it bought, closed offices, and shrunk its work force to around 800 employees from 4,500 at its peak.

The Louvre Is Still Open

If you have been wanting to visit Paris but are having second thoughts now, your hesitation may not last long. A recent study of the impact of terrorist attacks on travel and tourism suggests that the long-term effect is more muted than what occurs after a natural disaster. It takes about 13 months for tourism to recover after a major terror attack, according to the World Travel and Tourism Council, compared with about 24 months after an environmental disaster. France is the world's top tourist destination, with 84 million foreign visitors last year.

Lowering the Pressure In New York City

New York City has begun a new era in nutritional warnings, requiring chain restaurants to put a special symbol on highly salty dishes. The first-of-its-kind rule requires a salt-shaker emblem on some sandwiches, salads and other menu items that top the recommended daily limit of 2,300 milligrams — about a teaspoon — of sodium. Experts say most Americans consume too much salt, raising their risks of high blood pressure and heart problems.

NEW YORK CITY HEALTH DEPARTMENT

Climate Warning From 1800s

In the early 1800s, Alexander von Humboldt, a Prussian explorer, naturalist and scientist, began to recognize a link between cutting down trees and the falling water level of Lake Valencia in Venezuela. In 1829, he called for scientists around the world to record data on the effects of deforestation, prompting the first large-scale study of climate. It was the earliest global effort to deal with climate change, nearly 200 years ago.

When Saving Is a Way of Life

YOUR MONEY
PAUL SULLIVAN

Supersavers commit to a goal and reach it with a disciplined approach.

LAUREN JUSTICE FOR THE NEW YORK TIMES; TOP, HILARY SWIFT FOR THE NEW YORK TIMES

COMMITTED TO SAVING **Chris Reining, 36, re-evaluated his cubicle life at 29. By 35, he had a million in savings. Top, Darlene Orlov was able to retire at 52.**

During the 2007-8 financial crisis, Chris Reining said, he panicked. His anxiety wasn't brought on by the collapse of the United States stock market or the global economic crisis that followed. It was prompted by his office mates in Madison, Wis.

"I was living the 9-to-5 life, and I would look at other people at work and see that they were 30, 40 years older than me and still living the cubicle lifestyle," Mr. Reining, 36, said of his 29-year-old self. "I didn't want to be living that life. It was this feeling of being trapped and not being in control, being enslaved to a job, being enslaved to my possessions."

Mr. Reining decided to change his fate and set a goal of having $1 million in his brokerage account by the time he was 35. Given that he was making about $75,000 a year working in information technology, he knew the goal would take discipline.

Mr. Reining is part of a small group of supersavers who commit to a number that they say will support their lifestyle in retirement and not stray from achieving that goal. They are the financial equivalent of people who go on a diet, lose the weight and keep it off.

"Very few have the discipline and fortitude to set a plan, a budget, and stick with it," said Jason M. Katz, a managing director at UBS Wealth Management Americas. "The people who are the supersaver freaks, who actually do it, go through an exercise of mental accounting. They designate certain pools of money for certain goals."

Given that two-thirds of Americans report having little savings for retirement — and half of married couples and three-quarters of single people in retirement count on Social Security for half or more of their income — saving is a problem and supersavers have something to teach the rest of America.

Mr. Reining was determined not to be like everyone else. "I needed to get a handle on my money," he said. "I had no idea how much I was saving beyond the 4 percent I was allocating to my 401(k). I had succumbed to lifestyle inflation."

So he cut out the things he didn't need — like the $1,000 a month he was spending on flying lessons and flight time — and curtailed his nights out.

He began saving more: 10 percent at first, then increasing the amount to more than 50 percent. He made as much as he could automatic, to ensure that money from his paycheck flowed immediately from his checking account to his brokerage account and then into index funds. That eliminated the temptation to divert money to the things 30-year-olds might want to buy. At 35 he crossed the $1 million threshold. He now has about $1.2 million in his brokerage account, he said, and has detailed the process on a blog that he set up to motivate himself.

For any supersaver, it starts with prioritizing. Diets often fail because they are too restrictive; supersavers realize that all saving and no fun is not sustainable.

Mr. Reining and his girlfriend go on an overseas vacation each year, last year to England and Italy, the year before to Argentina. "These are not inexpensive trips," he said, though he added: "We're not staying in $300-a-night hotels. We stay in a small, clean budget hotel and spend more time at museums."

Darlene Orlov, a New Yorker who started planning when she was 30 to retire at 50, was a supersaver, but she spent money on the theater and vacations to places like Palm Beach, Fla., and Atlantic City. She considered these necessary rewards from her business as a consultant and expert witness to human resource departments, where she prided herself on being available to clients whenever they needed her.

While she would not disclose the goal she set, she said it was always a stretch to reach it. She credited her accountant with keeping her on track with what she earned, saved and spent.

"Without those three components, your goal is going nowhere," she said. "It's not fairy dust. It's producing in good times and bad."

She ended up retiring at 52, not because she had strayed from her plan, she said, but because it took her longer to wind down her business. That was 14 years ago.

Supersavers have some behaviors beyond their ability to save that others might find distinctive.

Mr. Reining has done some calculations around the cost of children that parents might find a tad low. He thinks they could raise a child from birth through high school on $85,000. "It won't go very far in New York or San Francisco, but if you live in flyover country like I do, $85,000 goes a long way," he said.

Yet being a supersaver is not the preserve of just consultants, professionals and millennials without family demands.

Ann Houston has weathered a divorce and nearly a decade of working without a raise as a state employee in Oklahoma. She thought small when it came to spending on houses and cars, and calculated her savings precisely.

"Every dollar I have has a name," she said. "I do the savings part first. It's taken out automatically. Then I put so much in for food, for entertainment, for travel, for gifts — automatically."

While she never remarried, she has a partner, and they keep their finances separate except for shared expenses. This has allowed her to stay on track to retire in two years, at 66, having paid off her house and her car and even buying a weekend home.

David Houston, her brother and adviser, who works at Northwestern Mutual, said his clients who had become supersavers had a trait in common: They were coachable. "What you find is, someone who has had a bad experience or seen someone have bad experiences is much more coachable, because they don't want to fall into that ditch," Mr. Houston said. "Then you take someone for whom life has been easy — they get out of college and they don't get on a track."

For Mr. Reining, the hardest part is not maintaining day to day the financial diet he has put himself on. His solutions to that are "just automation" and "pretending like you don't have that money anymore." Then there's the part about turning down friends.

"Sometimes people ask us to go out for the night, and you have to say no," he said. "Sometimes you have to suggest doing something else other than going out to a fancy restaurant and spending a few hundred dollars. You have to be cognizant of that alignment of your spending with your values."

He added, "I would like to travel more, but I know I can't justify that."

Investors Can Seek 'Portfolio Insurance' Against Declines

INVESTING
JOHN F. WASIK

SÉBASTIEN THIBAULT

Whenever the stock market shows a bad hand, nearly all stock investors hope they have something akin to an ace in the hole. Investing professionals call this favored-card strategy "portfolio insurance," a way of hedging against the brutal loss of a broad-based market decline.

In recent years, more specialized investments to stem market downturns have become available to individual investors. Although portfolio-protection strategies are complicated and none work perfectly, they can protect wealth over time. But shielding against future loss in retirement income and addressing short-term volatility are often two different missions.

What most unnerves investors is volatility. To safeguard against those wild rides, people can turn to investments that reward them in skittish periods. That approach would have paid off in August, when the Standard & Poor's 500-stock index lost 6 percent, and in September, when it lost nearly 3 percent.

Nine exchange-traded funds, known as E.T.F.s, are linked to indexes that track stock volatility. The idea behind these funds is that when short-term fears derail stock returns, investors can still make money. The funds follow a "fear" index listed by the Chicago Board Options Exchange that gains when stocks head south.

The largest fear E.T.F. by assets is the VIX Short-Term Futures E.T.F. (VIXY). The fund was up 27 percent for the third quarter, a handsome return considering the S.&P. 500 was down 6 percent during that period.

But when the market flattens out or posts gains, the returns on fear-index funds are abysmal. The ProShares fund is down 49 percent over the last three years as of Oct. 19. As with all short-term trading funds, investors have to be fairly precise about when they enter and exit this E.T.F., which is difficult to do with consistent success.

Another strategy that is popular among individual investors is the low-volatility or smart beta stock approach. These funds select stocks that don't have as much downside movement as the rest of the market, may offer growth and are often less prone to huge declines because they pay consistent dividends.

While low-volatility funds can and do lose money in a downturn, their losses are not as great as that of the S.&P. 500. Steve Stanganelli, a certified financial planner with Clear View Wealth Advisors in Amesbury, Mass., recommended the iShares MSCI USA Minimum Volatility E.T.F. (USMV), which owns durable dividend payers such as AT&T Inc. and Procter & Gamble.

A more active approach is through hedgelike or alternative mutual funds, which can skew a portfolio toward making money on the downside if market conditions warrant. You can also invest in commodity and real estate funds that tend not to move in lockstep with stocks of American companies.

The managers in these funds are free to home in on securities that could do well during a downturn, or to "short" companies — that is, to make money when the companies decline in value. Returns for the more than 100 long-short funds on the market, however, vary widely and are expensive to own.

For more sophisticated investors, options — bets that a security or index will rise or fall over a given period — can provide some downside protection. You can buy "put" options on a single stock or an entire index, which pay off if a security declines over a specific time.

For most investors, though, a comprehensive portfolio review that involves a combination of strategies can smooth out some of the bumps. Most, if not all, certified financial planners, chartered financial analysts and registered investment advisers can model the portfolio that will allow you to sleep at night.