ONEQUESTION

with **Joel Williams**, chairman, JSW Financial in Blacksburg

Photo by BRETT WINTER LEMON | Special to The Roanoke Times

Joel Williams: "Investors think in terms of long-term impact and what the economy is going to do and what human nature is going to do."

What should I be doing with my money right now?

JOEL WILLIAMS
Chairman, JSW Financial
Age: 64

Stock market plummets 600 points. Congress deadlocked over debt ceiling debate. Greece may default over debt. Earthquake rattles Japan's economy.

These are the headlines that send investors running to their financial advisors. And few advisors are as scholarly as Joel Williams.

With a Ph.D. in economics, tenure as an agricultural economics professor at Virginia Tech, and now chairman of JSW Financial in Blacksburg, Williams welcomes the chance to answer, "What should I be doing with my money now?"

"My advice to people right now is to invest your time and resources in learning how to invest. That might sound like a cliche, but people need to learn how to do it right. Invest in education to learn how to be a long-term investor, not a trader.

"There are three things to keep in mind here.

"Number one, understand the financial services industry.

"The financial services industry wants the public to have a trading mentality versus an investor mentality. When somebody says, 'Where should I put my money in the short term?' that's a trader mentality. Why is that so? Industry makes more money on short-term decisions. They make a commission every time you buy and sell a stock or a mutual fund.

"A long-term investor does not ask those kinds of questions. Think about Warren Buffett when he talks about investing vs. Kramer and all the evening talk shows and they're giving you all this advice. Investors think in terms of long-term impact and what the economy is going to do and what human nature is going to do.

"Look at the Brinson Study. It came out in 1986, and it shows that the average investor using a trading mentality has a 4 percent chance of succeeding. Other studies like the Dalbar Study looked at the largest top 20 no-load mutual funds and it found that while the funds had an average 12.2 percent return, the average individual investor in those funds got only a 3.4 percent return. The biggest risk to investor money is in between your ears. Our emotions cause us to make mistakes because of that fear factor.

"A third academic research shows that fear is 2.4 times greater an emotion than greed. Fact is, they go into the stock market and lose money because they fear they are going to lose. The financial services industry is all counting on this fear factor.

"Number two, understand Washington.

"Wall Street controls Washington. Washington is a pawn of Wall Street. People should not be stressed out as much because stock markets will force politicians to do what they're supposed to do. And don't listen to the media and politicians. Most of what is in the media is just noise. Look at all the talk, look at all the time spent on Aug. 2 [the deadline to raise the debt ceiling]. And nobody on either side knew they were agreeing on anything significant.

"Number three, understand basic investment process: diversification, noncorrelation of your asset classes. It all starts with the cash-flow model. When are you going to need your cash?

"If a client comes to us with $1 million, he's 75 years old, they have good cash flow and they're not spending all the money from their retirement plans. Financial services industry says to put 75 to 80 percent of their money in bonds that are safe. We ask, 'Who is going to be using that money?' Children and grandchildren who aren't going to use the money for 20 years. So we look at 10- and 20-year investments. You give up liquidity but you get good, solid returns.

"Start acting and behaving like an investor and demand that from him if you have a financial advisor. If you have to ask me the question, 'Where's the best place to put my money?' then that tells me you don't know how to invest your money and your probability of success is very low.

"I'm hopeful that with all that is going on right now, people might be willing to sit down and get serious about where to put their money. And the best place to put your money is in the process."

— Michael Hemphill, special to The Roanoke Times

The Color of Money

Burden of long-term care needs strains families

WASHINGTON — America is facing a crisis that will make the federal budget deficit look like a simple bank overdraft fee.

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If we don't figure out how to provide financial support to the millions of family members taking care of senior citizens with chronic conditions or disabilities, we will have caregivers so overwhelmed that they will be forced to stop helping their elderly relatives. That cost of care will then transfer to the government, and this would mean astronomically higher health care costs or more people being placed in nursing homes, according to a new report from AARP's Public Policy Institute.

In 2009, about 42.1 million family caregivers provided assistance to an adult with limitations in daily activities such as going to the bathroom, preparing meals or making it to a doctor's appointment. The AARP report estimates the economic value of family caregiving at $450 billion in 2009, based on those 42.1 million caregivers age 18 or older providing an average of 18.4 hours of care per week at an average value of $11.16 per hour.

Just imagine if much of this voluntary care were gone.

Historically, providing care to the elderly wasn't such a dire public policy issue. People didn't live as long as they do now. But what happens when the need for long-term care goes on for years or decades?

The long-term care needs of many of our elderly are straining families, just as family structures have changed and during one of the worst economies in decades. There are more women in the work force, making it harder for them to provide care. Almost two-thirds of family caregivers are female. More than eight in 10 care for a relative or friend age 50 or older.

High rates of divorce and smaller family size mean the burden of care will fall, and already is falling, on fewer people in a family. There also are increasing numbers of women without children to rely on. Nearly 20 percent of older women do not have children today, compared with just 10 percent in the 1970s.

Expect to see more adult children in their 60s or 70s with chronic conditions of their own, caring for a parent age 90 and older, says Lynn Feinberg, senior strategic policy adviser at the Public Policy Institute.

"The burden on today's families to provide uncompensated care for a long time is unsustainable," said Feinberg, one of the authors of AARP's report. "It's not that families don't want to do this for their loved ones, but it comes at a cost."

Various caregiving studies continue to show the increasing strain on the caregivers' own financial situation, retirement security, physical and emotional health, and careers, Feinberg said in an interview. The impact is particularly severe for caregivers of individuals who have complex chronic health conditions and both functional and cognitive impairments. Twenty-two percent of caregivers are assisting two individuals, while 8 percent are caring for three or more, according to the U.S. Administration on Aging.

Right now, I'm trying to help four senior family members with various health issues. There's my father-in-law, a diabetic. I have an 88-year-old aunt who needs constant care. My mother, who has had two stokes, now needs daily living assistance. My husband and I also are providing a monthly stipend to an elderly family friend to help pay for her prescription drugs.

AARP has some policy recommendations we should be pursuing to assist families. Here are some of them:

- Encourage more companies to implement workplace policies that include flextime and telecommuting, referral to supportive services in the community, and caregiver support programs for employees.
- Expand the Family and Medical Leave Act to cover all primary caregivers, regardless of family relationship.
- Provide paid family leave for caregivers.
- Expand funding for the National Family Caregiver Support Program. This program, which was created in 2000, provides grants to states and U.S. territories, based on their share of the population 70 and over. The money is used to fund a range of services to help caregivers provide in-home assistance, allowing senior citizens to stay in their residences for as long as possible. Total funding for this program is about $160 million. That's a lot of money but it's still not enough. For more about this program, go to www.aoa.gov.

I know that when our public-policy focus is so concentrated on reducing our nation's debt, it's hard to argue for increased spending. And yet in this case we must.

Family caregiving has to become an important public health concern.

Michelle Singletary is a personal finance columnist for The Washington Post. Her column runs Sunday.