THE ONLY INVESTMENT GUIDE YOU'LL EVER NEED

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COMPLETELY UPDATED

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If I'm So Smart, How Come This Book Won't Make You Rich?

You have to watch out for the railroad analyst who can tell you the number of ties between New York and Chicago, but not when to sell Penn Central.

— Nicholas Thorndike

Here you are, having just purchased a fat little investment guide we'll call *Dollars and Sense,* as so many investment guides are (although the one I have in mind had a different title), and you are skimming through idea after idea, growing increasingly excited by all the exclamation marks, looking for an investment you would feel comfortable with. You page through antique cars, raw land, mutual funds, gold—and you come upon the section on savings banks. Mexican savings banks.

The book explains how by converting your dollars to pesos you can earn 12% on your savings in Mexico instead of 5½% here. At 12% after 20 years, $1,000 will grow not to a paltry $2,917, as it would at 5½%, but to nearly $10,000! What's more, the book explains, U.S. savings banks report interest payments to the Internal Revenue Service. Mexican banks guarantee not to. Wink.

The book does warn that if the peso were devalued relative to the dollar, your nest egg would shrink proportionately. But, the author reassures, the peso is one of the stablest currencies in the world, having been pegged at a fixed rate to the dollar for 21 years; and the Mexican government has repeatedly stated its intention not to devalue. Now, how the heck are you, who needed

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A Penny Saved Is Two Pennies Earned

"I walked home to save bus fare."
"Gee, you could have saved a lot more by not taking a taxi."
— Old Joke

You are in a higher tax bracket than you think. At least, most people are. And this number—your tax bracket—is critical to understanding your finances.

If you earn $40,000 and pay $4,000 in tax, that does *not* mean you are in the 10% tax bracket (any more than if you earn $240,000 and pay $24,000). On *average,* you are paying 10% of your income in tax, but that's not what's important. What's important in making financial decisions is how much tax you pay on the margin—on the last few dollars that you earn.

Because the income tax is graduated, you pay little tax on the first few dollars you earn but a lot on the last few. That may average out to 10%; but, in the case above, if you earned another $1,000 and you're single, nearly a third of it would go straight to the government ($250 in federal income tax, another $76.50 in Social Security tax), and *that's* your tax bracket: 33%. Unless you happen to be self-employed (add another 7.65%) and/or subject to local income taxes as well (add some more). In New York City, it's not hard to find subway riders, never mind guys in limos, in close to the 50% tax bracket.

To figure your own tax bracket, should you be of a mind to, just haul out last year's federal and local tax returns and calculate

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Trust No One

Trust everybody, but cut the cards.

— Finley Peter Dunne

If you or anyone you know is over 50, *I urge* you to get pencil and paper ready."

So began the celebrity life insurance commercials we used to see on TV. Dick Van Dyke did them (and he starred in *Mary Poppins*!). Johnny Carson's trusty sidekick Ed McMahon did them. Even Gavin MacLeod—good ol' Murray on *The Mary Tyler Moore Show,* remember him?—did them.

Murray, Murray, Murray.

But the plans sounded good, didn't they? No matter how bad your health, *you could not be turned down* for this "top-quality, big-dollar" protection. Yet amazing as it seems—well, this is why I told you to get your pencil and paper ready—Murray's plan cost just $5 a month. And—get this!—your premiums were guaranteed never to rise as you got older.

Said Murray: "I can't tell you what a relief it is to know that we won't be a burden on our children." Here the kids thought they stood to inherit a pretty penny—Murray did go on to captain the *Love Boat,* after all—but had it not been for this insurance, they'd have been left with nothing but the funeral bill. *Thank heavens for this insurance.*

If you're 50, Murray said, just $5 a month would buy you $10,000 in protection.

Catch #1: If you died of an illness, your heirs got $2,800, not $10,000. The bulk of the insurance benefit was for *accidental* death only. Yet accidents are a minor cause of death among older

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The Case for Cowardice

This broker calls his customer for four straight years and each year puts him into some dreadful stock that drops right through the floor. The fifth year, the customer calls the broker and says, "Look: I don't know about all these stocks we've been buying—I think maybe I'd be better off in bonds."

"Yeah, sure," says the broker—"but what do I know about bonds?"

— Old Joke

I went to the track for the first (and last) time in my life some years ago. I went with a fellow who's been going twice a week since 1959. This is a man who knows horses. I know absolutely nothing about horses, but I brought $100 and figured I'd learn. About the only part I really understood was the hot dogs and beer, but the hot dogs weren't running and my midweek afternoon limit is three beers, so by the sixth race I was getting bored and decided it was time to place a bet.

My friend showed me the lineup for the race, explained why So-and-So would almost surely win, and just snorted when I said, no, I wasn't going to put my money on So-and-So, I was going to put my money on Willow. *Willow?* Willow, he chided, had never even raced before and had absolutely nothing going for her. (Or him. I never did get that straight.) She was the kind of horse they put in the race so none of the other horses feel bad. "You're missing the point," I explained. "Willow is going off at 25 to 1."

My friend tried to tell me about sucker bets (the odds at the track are always against you, but they're against you worst on the