

MONEY

Posted 2/3/2003 9:13 AM Updated 2/3/2003 9:13 AM

Organizational queen wants her own castle

Your Portfolio: Each month a financial planner reviews a reader's portfolio and suggests improvements.



Professional organizer Mim King works in the San Francisco office of Dixon Doll.

By Jack Gruber, USA TODAY

Mim King wanted to buy a house, but sky-high San Francisco rent payments made saving tough. So 18 months ago, she put 95% of her belongings in storage, packed her laptop and cell phone, and took her show on the road. Now she wants to know if she's investing wisely.

Why go into the organizing business? "I was looking to start my own business, and I thought, gee, I'd love to open a cafe; but there's one on every corner in San Francisco," she says. Then she met a professional organizer and went to a National Association of Professional Organizers conference.

"I love systems, spreadsheets, getting things down to the penny. It's rewarding to say, 'Look, your finances are up to date and your stuff is in order,'" King says. So she printed up business cards and started her own organizing organization.

Not surprisingly, King has her goals well organized. She wants to save enough money for the down payment on a house. King figured \$40,000 would do the trick, if she bought a \$200,000 house. With a 20% down payment, she could save the cost of private mortgage insurance (PMI).

King grosses about \$60,000 a year — \$30,000, after taxes and expenses. "Around here, that ain't a lot," she says. But she rarely puts in a full 40-hour week and gets to set her own hours.

And she's not paying rent. In order to reach her savings goals, King stays with friends and helps organize their homes in exchange for their hospitality. "I get a job with a household and get a room," she says. "It's a conversation-stopper," she says.

Her nomad days will probably end in six to eight months, when she'll look for a place to buy. She knows that in San Francisco, \$200,000 will buy you a closet and, possibly, a door. So she's planning to move out of the Bay area, possibly to Lexington, Ky. "I have friends there who sold me on it," King says. "It's a university town, and it's got opera, ballet, cafe and a symphony," King says.

But even though she has her goals organized, she still has questions:

Is it worth the \$40,000 down payment to avoid PMI?

Should she have disability and life insurance?

Is her retirement portfolio properly tuned for a 40-year-old? King has \$15,938 in a variable annuity with Fidelity, invested entirely in stocks. Her Roth IRA has \$16,030, split between three Hartford stock funds. She also has a small SEP IRA.

King also has a brokerage account, where she keeps her house money. She has met her down payment goal: She's got \$43,185 in a money fund. Another \$29,515 is in individual stocks, mainly technology issues like chipmaker Intel and cell phone maker Nokia. She has a few conservative picks, too, such as Kimco Realty, a real estate investment trust with a 6.9% dividend yield. Rounding out the portfolio are six Hartford stock funds.

King has big plans: a new house, a new town and, eventually, a bicoastal business and lifestyle. All she needs to do is get her finances as well organized as the rest of her life.

(The advice: [Build up cash reserves before moving, buying house](#))

By John Waggoner, USA TODAY

Build up cash reserves before moving, buying house, financial adviser says

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Gary Schatsky

The advice: Mim King has a good plan, but she'll need to stop investing for awhile and build up her cash cushion, says New York fee-only financial planner Gary Schatsky.

King is planning to put all her money market savings into the down payment for a house, Schatsky says. But she'll need more money if she gets to Kentucky — and not just for planting bluegrass. (**Mim King's portfolio:** [Organizational queen wants her own castle](#))

King will be relocating and expanding her business at the same time she moves, and that can mean unexpected expenses. "Her world is going to be in total flux," Schatsky says. What should she do with her retirement portfolio?

- Keep her Hartford funds, even though several are "unremarkable," Schatsky says. Hartford Advisers, for example, beat only 31% of similar funds the past five years, says Morningstar, the investment trackers. But Hartford Midcap has a spectacular record, beating 98% of all midcap funds the past five years.

Why keep even the average funds? Because King values her stockbroker and feels he's worth the commissions.

When she starts investing again, however, Schatsky suggests she buy Vanguard Total Market index, which tracks the Wilshire 5000, one of the broadest stock indexes.

She'll get a diversified stock portfolio at very low cost. The fund charges 0.2% a year, vs. 1.28% for Hartford Stock.

She might also consider an international fund. Schatsky recommends Julius Baer International Equity, which has topped 98% of all international funds the past five years.

- Dump most of her individual stocks. She can take tax losses on her worst performers, such as Symphonix Devices, which is going out of business.

- Delay further contributions to her SEP IRA. Although she can deduct her contributions, she's in a low tax bracket, and the tax break doesn't justify tying up the money for 20 years, Schatsky says. She should contribute to her Roth IRA, however. If she must, she can take her principal out penalty-free.

King doesn't need life insurance or accidental death and dismemberment insurance.

She does need disability insurance. King has no dependents who will need money if she passes away. But if she's disabled, she'll need to replace her income. Unfortunately, disability insurance can also be very expensive.

Finally, King is correct to avoid PMI, Schatsky says. But she might be better advised to wait a year before buying her home in Lexington.

"If you're moving into a new area, buying a house might not be the wisest thing to do," he says.

King says she's going to take most of Schatsky's advice, although making disability insurance payments will be tough. But she's sticking with her plan, and hoping to find the right house.

"If I don't, I'll keep doing what I'm doing until the right one comes along," she says.

By John Waggoner, USA TODAY