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YOUR MONEY

Five Basics for Building a Solid Financial Future

By RON LIEBER

The stark truth about managing our money these days is that we are mostly on our own.

Few employers want us around for 40 years, so our income is likely to have ups and downs and disappear altogether for brief periods between jobs. Saving for retirement is now mostly our responsibility, too. Health insurance, for those of us who have it and manage to keep it, requires increasingly large amounts of money out of our pockets. The list goes on and on.

At the same time, all sorts of individuals and institutions have smelled opportunity and lined up to peddle their wares, resulting in an explosion of credit cards, bank products and advisers of various stripes. Some of this is helpful because competition has led to lower costs. But in other instances — say, newfangled adjustable-rate mortgages — the result has been painful.

Complicating all of this is the housing downturn, which has affected the largest asset in many portfolios. Rising fuel and food prices along with tougher loan standards do not help.

Given the stakes, it is hard to avoid the persistent low-grade fear that we have made wrong choices or cannot find the right ones, even though they are out there somewhere.

“There’s no guarantee that the choices will be available, attractive or appropriate for everyone,” said Jacob S. Hacker, a political science professor at Yale University and author of “The Great Risk Shift,” which looked at how corporations and governments have pushed financial responsibility onto individuals.

So as I take on the Your Money column (and later this year, a companion personal finance site at nytimes.com), I want to devote some space to treating the subject in much the same way that this newspaper’s critics treat new films or restaurants. Important new offerings — whether mutual funds or a shopping search engine — will merit a review. And one by one, we will figure out what is worth using and what is best to ignore.

Until then, here are five basic guidelines. Think of them as the first principles of Your Money, guidance that can be useful in making just about any financial decision.

INVESTING IS SIMPLE The author Michael Pollan offered an elegant seven-word mantra in his best-selling book "In Defense of Food" that provides clarity amid the bounty of choices on supermarket shelves: "Eat food. Not too much. Mostly plants."

Boiling down investing is a similar exercise: Index (mostly). Save a ton. Reallocate infrequently.

For most of us, investing in index mutual funds and similar vehicles — and sticking with them — is the hardest part of the mantra to accept. There are about 7,500 stocks on the three major exchanges in the United States and roughly 8,000 mutual funds. It would seem that with such an array of choices, we should be able to create portfolios that can outperform the market averages.

The fact is, however, besting the overall market in most investment classes is nearly impossible over long periods of time. Sure, it may be fun to try. But if you enjoy that sort of thing, do it with a tiny piece of your portfolio. And remember to call it what it actually is: gambling.

The rest of us should save as much as we can in a collection of low-cost index funds. Divide the money among stocks, bonds and other investments according to your time horizon and risk tolerance. Then adjust that allocation occasionally. Opinions vary on the frequency, but most experts agree that adjusting the mix more often than every 6 to 12 months is unnecessary and possibly costly.

IT STILL MAY BE WORTH PAYING FOR HELP Investing, however, is only one small part of your financial life. Mortgages, taxes, college savings, insurance and debt are a few of the hugely important tasks we have to figure out.

Perhaps the best thing a versatile professional — whether it is a financial planner, accountant, stockbroker or lawyer — does is provide discipline. It is difficult to get most of this stuff right. And to get it done at the right time. Professionals help make sure it all happens on schedule.

Most of us would rather avoid paying for help. Many financial planners charge 1 percent of a client's assets annually for advice on anything and everything, including investing. So if you have $200,000 saved for retirement, that is $2,000 a year.

The best defense I have ever heard for this level of compensation comes from Roger Streit, a financial planner at Key Financial Solutions in Roseland, N.J. He says that only 1 percent of us are wise enough and regimented enough to manage our own financial affairs. The other 99 percent, meanwhile, could almost certainly improve their investment performance at least 1 percent, thus justifying the annual fee.

Sure, this sounds self-serving. But it is also probably true. For people without large portfolios or those who need help with something specific, planners affiliated with the **Garrett Planning Network** can help. All members are financial planners who agree to offer hourly rates.

PEERS MAY KNOW MORE THAN PROFESSIONALS Financial planners may not have all the answers, or the best answers, all of the time. Moreover, they tend to be stronger on core areas of money management like insurance and taxes and less so on day-to-day financial decisions.

Thankfully, a number of Web communities and blogs have grown up around almost every aspect of spending and saving. Travelers and collectors of frequent-flier miles have FlyerTalk. FatWallet is terrific on credit cards. Another site, the Bank Deals blog, is a great resource for new high-rate account offerings. A separate site, Consumerist (both the blog posts and the comments), is strong on advice for anyone who feels as if they have gotten a bad deal from a particular retailer or service provider. And committed index-fund investors hang out at the Bogleheads investment forum.

Reading all these sites regularly is impossible. But they are great for researching particular questions, and most of the expert consumers who congregate there are open to inquiries from newcomers (as long as you search the archives first to make sure the answer isn't there already).

EVERYTHING CAN (AND SHOULD) BE AUTOMATED One of the great consumer-friendly innovations in the world of money in recent years has been the automation of bill paying. Practically every utility, mortgage lender and credit card company now has a way of getting its money each month without you lifting a finger. Most will take the money directly from a bank account, and many also allow payment with a credit or debit card.

As a result, I do not need a monthly bill-paying session anymore. The electric and mortgage companies debit my bank account each month. The cable, cellphone and other companies charge my credit card, which helps me to collect piles of rewards. Then the credit card companies pull the full balance from my bank account, too, just as the mortgage company does.

This has a number of advantages: no stamps, no envelopes, no late fees. But the real gift is that I do not have to worry about getting it all done. And with the time I win back, I can do things that are a lot more fun.

Automating the payments can have some hitches. It is tempting to neglect to look at the bills once they start paying themselves. It is a pain to turn the whole bill-paying machinery off and on again if you switch bank accounts. And you need to be sure you have enough of a cash cushion in your primary checking account to prevent overdrafts.

HAVE THE TALK As fewer people have pensions and more retirees live longer, an increasing number of people may need financial help from their children. The question is whether your parents will be among them.

Trying to pry financial information out of your parents does not make for a pleasant conversation. But the fact is, we are entitled to demand some answers if our parents do not initiate the discussion themselves.

This is not a case for callousness. They took care of us for 20 or so years, and we will take care of them, too, if it comes to that. But it is not fair of them to withhold warnings of deteriorating finances. If we do not know what is coming, we cannot help them plan for it.

Just as we should talk about money with our parents, we should be less reticent about discussing it with others.

So I hope you will send your comments, or your own five first principles, to rlieber@nytimes.com.

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