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PERSONAL FINANCE

6 investor questions

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What a difference five years -- and a recession -- make.

When financial planners were asked in 2004 for the most frequent questions from clients, the queries were largely about investing in real estate, how big of a mortgage they could swing and whether to buy or lease a car. The real estate market has since imploded, and many homeowners and would-be real estate moguls are underwater on mortgages. And the government is now giving money away to get consumers to buy or lease new cars to rescue the auto industry.

Clients nowadays are all about safety, wanting to secure retirement and protect nest eggs from another stock plunge.

Here are some common questions planners get and their answers:

Where can I invest my money and not lose it?

"There is a real fear of another big correction in the market," Kemple says.

Often, clients seeking safety also want high returns. "People want the best of both," says Williams. But high returns usually require taking more risk.

If it's safety you seek, consider money market funds or insured certificates of deposit. And if you can handle a little risk, consider high-quality municipal bonds or short-term bond funds, planners say.

Avoid long-term bonds, even if rates seem attractive, Williams says. "The worst place to be if inflation takes off is longterm bonds," he says. Interest rates then will rise, and the value of the bonds will fall.

How will health care reform affect me? "A lot of them are upset and worried about it, especially retired people" who fear Medicare will become more expensive, Hagar says.

It's far too early to know the impact of health care reform. Even if legislation passes, Rodgers says, the final product might little resemble what's now on the table.

Should I convert to a Roth IRA next year? For years, high earners have been shut out of the popular Roth individual retirement account. But next year, the door opens. The $100,000 income cap to convert a traditional IRA or 401(k) to a Roth will disappear, giving high-income households away to move money into a Roth, where it can grow and the earnings later can be withdrawn tax-free. (Some 401(k) plans might not allow such a conversion.) Generally, you are better off switching to a Roth if you expect to be in a higher income tax bracket in retirement than you are now, says Millen.

You will have to pay regular income tax on any money transferred out of a traditional IRA or 401(k) and moved to a Roth. If you undertake a conversion next year, you have the option of paying the tax on your 2010 tax return, or spreading the tax bite over 2011 and 2012, although by then income tax rates could be higher.

Will high inflation return? That's usually followed by another question: Should I buy gold? With the Federal Reserve throwing around so much money these days, some fear high inflation isn't far behind.

"Everyone seems to expect so, but it's not a foregone conclusion, depending on the Fed action next year or two," says Simpson.

Simpson says recent radio ads have been promoting gold. "That's the time to run in the other direction," he says. He usually has up to 8 percent of a client's portfolio invested in a broad-based commodity mutual fund as a hedge against inflation.

If you want individual stocks that can weather inflation, consider shares in companies that will be able to raise the price of their products without hurting sales, such as consumer staples or strong brands, says Millen.

Is my money safe? "What they are trying to avoid is a big nightmare like Bernie Madoff, IndyMac and Lehman Brothers," says Glassman.

Glassman says that leads to conversations about custody of assets and coverage under Federal Deposit Insurance Corp.

and the Securities Investor Protection Corp.

Madoff was the custodian of his client's assets, allowing him to fabricate financial statements. You want an adviser who uses an outside custodian that produces independent statements.

More than 85 banks have failed since regulators took over IndyMac last summer, and the FDIC temporarily raised its basic insurance coverage from $100,000 to $250,000 per depositor. In May, the government further extended this higher coverage by a few years so that it now lasts through the end of 2013.

The SIPC's coverage -- worth up to $500,000 per account -- kicks in when one of its brokerage members fails and funds are missing from customer accounts.

Will I ever be able to retire? Workers will be able to retire despite huge market losses, but when depends on an individual's resources and lifestyle.

"Middle America to a large extent has saved, but hasn't saved enough," says Hagar. "A lot of people will have to delay their retirement if they want to continue their current lifestyle."

Some clients slated to retire this year are still doing so, although they won't be as comfy as they had hoped, planners say. Others near retirement have decided to work an extra year or so to give the market and economy more time to recover. For many, retirement will be postponed years.

"People may have to work an extra four or five years," and that's if they also boost savings and curb spending, says Kemple.

That's why it's important to do a job you love, she says.

D'Angelo says her clients are mostly asking about retiring early. Companies have been cutting positions and her clients maintain decent-paying jobs, but they're "working like dogs" and want to quit ASAP, she says.

In a related matter, clients also ask when their portfolios will recover. Rodgers figures that if the stock market reverts to the norm, it may take three to five years for stocks to return to the old high.

That could be even earlier if the market undergoes a big rally one of those years, he says.