Senate presented the kid money manager

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Michael Lipper of Lipper Analytical Services Inc., a fund-research company. Those

paid the departing investor $2 for the Mexican share it sold. But by the time

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bond market was a belief that developing nations were adopting "very sound poli-

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YOUR MONEY MATTERS: GETTING GOING

Markets May Change, Rules for Success Don't

By JONATHAN CLEMENTS
Staff Reporter of THE WALL STREET JOURNAL

What should you do with your investments in 1995? The same things you should have done last year.

To make money in the markets, you've got to learn to ignore the daily turmoil and, instead, act like a long-term investor. Here are my 10 rules of thumb for those who need a hand:

■ **GET TIME ON YOUR SIDE:** Start investing now, because the sooner you start, the more likely you are to earn healthy, inflation-beating returns.

For instance, if you invest $1,000 and make 10% a year, you'll have $28,000 after 35 years. But if you delay by just three years, so that you invest for only 32 years, your earnings will be trimmed by $7,000.

■ **AIM BEFORE YOU FIRE:** Decide what you're saving for, because it makes a big difference in how you handle your money. If you plan to buy a car or make a down payment on a house in the next two years, stick with "cash" investments such as certificates of deposit and money-market funds.

But if you're investing for distant goals like your toddler's college costs or your own retirement, you can be far more aggressive, by putting a bigger chunk of your money into stocks and bonds. And don't presume you should be superconservative just because you are retired. After all, if you leave the work force at age 65, you might be looking at a 25-year retirement, which is plenty of time to earn decent money in stocks and bonds.

■ **MAKE IT A HABIT:** Invest at least $50 or $100 every month. If you regularly sock away money, market dips become opportunities rather than crises, because you know your next investment will buy stocks and bonds at cheaper prices.

■ **TAKE STOCK:** Over long periods, stocks will outpace bonds, and bonds will outperform cash. You're a long-term investor who wants superior returns? The most sure-fire strategy is to keep as much of your money in stocks as you possibly can. With the money you don't put into stocks, consider buying bonds instead.

Diana Bryan

■ **SPREAD IT AROUND:** Last year was a rotten year for stocks. Not so 1993, when the Dow Jones Industrial Average gained almost 14%. But even in a boom year like 1993, a third of all stocks lost money.

The moral is to spread your stock-market money among at least 20 different companies in a variety of industries, so you don't get hurt by one or two rotten stocks. The easiest way to get that diversification is to buy a few mutual funds.

■ **KEEP IT SIMPLE:** Limited partnerships? Bond derivatives? Options and futures? If you don't understand it, don't buy it. Lots of investors have done just fine by sticking with simple investments like Treasury notes and bonds, mutual funds and blue-chip stocks.

■ **SETTLE FOR AVERAGE:** Most professional and amateur investors fail to beat the market averages. Want to be a winner? The easiest route is to buy index funds. These funds aim to match the performance of the market averages, which means they do a lot better than most investors.

■ **CONSIDER THE COSTS:** You can't control whether the markets go up or down. So focus instead on something you can control, like your investment costs.

Consider using a discount broker, trading infrequently, buying mutual funds with thrifty annual expenses and avoiding funds that charge sales commissions.

■ **ELUDE THE TAX MAN:** The biggest investment cost of all is taxes. What should you do? Your best bet is to make full use of tax-deferred retirement accounts like 401(k) plans, Keoghs and individual retirement accounts.

What about your taxable account? You can delay capital-gains taxes by hanging onto your winning investments longer. Switching to index funds can also reduce your tax hit, because these funds typically make smaller capital-gains distributions than regular mutual funds.

■ **EXERCISE SLOTH:** Investors don't get rich overnight. They get rich over time. They buy decent stocks and well-run mutual funds and then let them ride for years and years.

Far too many people trade way too much, which makes them precious little money but does wonders for the prosperity of Wall Street. My advice is to work hard at being slothful. If that leaves you with time on your hands and you want something to do, write to me and tell me what you would like to read about.