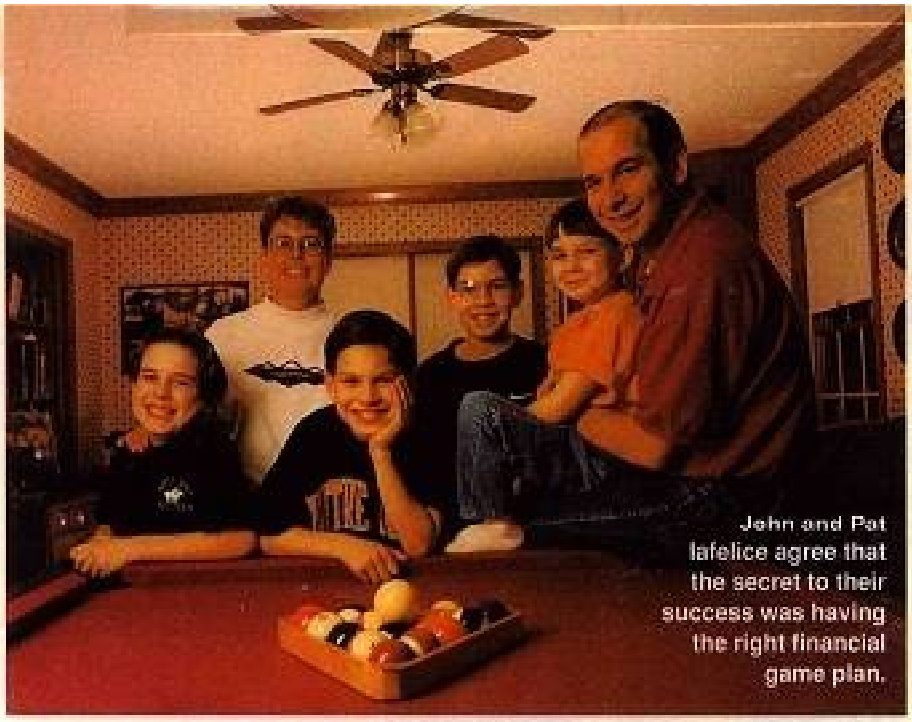

John and Pat Iafelice agree that the secret to their success was having the right financial game plan.

on during the day—a habit that everyone should develop.

By cutting expenses and prioritizing their finances, Amy and Fred realized they had enough income to upgrade to a new home. "For those first few months, we actually saved money, which is what got us into a bigger house," Amy says.

The Madys aren't out of the woods yet, says Lawrence, but there is less stress in their lives. "By following these exercises, tracking and cutting back on expenses, they have gained the relief of seeing that they have control of their finances."

OVERCOMING DEBT

When obstetrician John Iafelice of Cleveland, Ohio, finished his residency, he and his wife Pat had three kids, escalating household expenses, and about $50,000 in debt, primarily from his medical school loans. Five years later they have four kids, a dog, a horse, near-zero debt (except the mortgage), a new insurance policy, retirement accounts, and education funds for the children.

How did they do it in such a short time? They credit two strategies: First, they avoided "keeping up with the Joneses" and never said "charge it," says Pat. And, they invested in mutual funds.

"We saw colleagues buying mansions in beautiful areas of town, and at the same time, we realized that we finally had a good income and began to wonder, 'Should we do the same?'" Dr. Iafelice says. "Yet, we needed to know that we could afford the big house and still manage to put drapes in the windows. We didn't want to be mortgage-poor."

That's when the Iafelices met with Kevin Myeroff, CPA and president of NCA Financial Planners, Cleveland. "They, like most people, had to learn how to avoid thinking about the Joneses if they wanted to put a sound financial system into place," Myeroff explains. "Many of my doctor clients have to learn to let their egos survive while their friends are buying expensive homes. Now, the Iafelices are moving past the Joneses because they're in better financial shape."

What was the plan of attack? The first step was to focus on reducing debt in five years by not using credit cards and stringently paying down loans on a monthly basis. Their second step consisted of setting up an emergency fund. They freed up cash by changing from a universal life-insurance policy to term insurance. With four children, the third step was imperative. They had to set up the children's education funds as soon as possible.

Finally, John and Pat needed to create retirement funds. Because of John's high salary, he began contributing the maximum amount to his 403(b) retirement plan and fully funding their individual retirement accounts (IRAs), which reduces taxable income.

Here's what they did: The Iafelices dollar-cost averaged between $500 and $1,000 a month into blue-chip mutual funds and bond funds. By using the dollar-cost averaging approach, they were able to buy more shares of a mutual fund when prices were low and less when prices were high—a forced investing plan that replaces market timing. This system works well for most investors, and programs can usually be started for as little as $50 per month. A program is set up so money is automatically withdrawn from a checking or savings account or paycheck and deposited into a fund. Initially, 75 percent of the Iafelices' portfolio was allocated to blue-chip funds and 25 percent to bond funds made up of the Growth Fund of America and the Intermediate Bond Fund of America. Today, they're taking on more risk to benefit from potential long-term gains by investing in more-aggressive domestic and foreign stock funds.

IT'S NEVER TOO LATE TO PLAN FOR RETIREMENT

In the mid-1980s, Norman and Nancy Rockwell, both in their 50s, decided it was time to start planning for retirement. Norman was the advertising director for *The Medina County Gazette* and Nancy sold residential real estate. They had invested in some IRAs, certificates of deposit, and a few insurance policies, but as far as a financial plan, Nancy says, "We were babes in the woods."

"Because we started investing in our 50s, we really didn't have a lot of time," Nancy explains. Norm adds: "Yet somehow we retired two years before I thought we would." Two years *before* they thought? How is that possible?

The Rockwells credit retirement planning specialist Gary Vawter, CFP and president of Qualified/Financial Advisors of Columbus, Ohio, as the reason. "Our goal was to allocate 10 percent per month of our net income to our priorities—church, food, and investments—and still be able to retire comfortably," explains Norman. "And Vawter showed us how."

Vawter laid out a very straightforward plan. "We took an overview of where they were and immediately established some fundamentals—adequate insurance, emergency funds, no debt, and financial goals," he explains.

For example: Over 15 years the Rockwells each had accumulated about $5,000 to $10,000 worth of individual insurance policies that served as their savings program—not a cost-effective approach. Realizing this, they sold the policies and purchased one joint insurance policy to achieve their objective: to pay the mortgage in the event that one of them died.

They also wanted to ensure that they had adequate emergency cash reserves, especially since Nancy's income fluctuated. Vawter says that self-employed people, such as Nancy, should lean more toward a six-month reserve. However, with Norman's income they felt comfortable saving around three months' worth of living expenses.

The next step was to create some goals. "At age 54, their primary goal was to