

NEWS & NOTES



According to the Occupational Safety and Health Administration (OSHA), the greatest hazards posed by hand tools are from misuse and improper maintenance. Consider these common hazards:

- If a chisel is used as a screwdriver, the tip of the chisel may break and fly off, hitting the worker or others.
- If a wooden handle on a tool like a hammer or an axe is loose, splintered, or cracked, the head of the tool can fly off and strike the user or somebody nearby.
- If the jaws of a wrench are sprung, the wrench can slip.
- If impact tools like chisels or wedges have mushroomed heads, the heads can shatter on impact, sending shards flying.

Employers are responsible for the safe condition of tools and equipment, according to the regulations. And they must train employees in the proper use and handling of tools and equipment.

Alcohol Awareness Month

What you need to know



Sponsored by the National Council on Alcohol and Drug Dependence, Inc. (ncadd.org), Alcohol Awareness Month is a good time for a gentle reminder about this often destructive and sometimes deadly disease. Here are possible signs of alcohol abuse:

- Poor concentration and coordination
- Slow mental and physical reflexes
- Letting responsibilities slide
- Impaired judgment or decision making
- Forgetfulness and carelessness
- Mood swings
- Blackouts
- Loud, aggressive, or violent behavior after drinking

Other symptoms include:

- Drinking alone or to get drunk
- Arguing with others about drinking
- Drinking in the morning, before work, or before driving
- Drinking to solve problems
- Using alcohol as medication
- Avoiding friends or family while drinking

Check out your company's employee assistance program, Alcoholics Anonymous (www.aa.org), or www.AlcoholAbuse.com for more information and assistance.

Are You Overlooking Big Threats to Your Finances?

Investors have become smarter about expenses that nibble away at their nest eggs. But too many disregard some large risks.



There are two ways that wealth can slip away: slowly and quickly.

Today, many folks are well aware of the slow erosion caused by high fund expenses, hefty advisory fees and big investment-related tax bills, as evidenced by the growing enthusiasm for exchange-traded funds, robo advisers and tax-loss harvesting.

My fear: While investors are focusing on these relatively modest drags on their annual investment returns, they may be overlooking big gaps in their financial plan that could quickly destroy the savings they have accumulated.

We are talking here about mistakes such as failing to buy life, health and disability insurance; holding a badly diversified investment portfolio; wagering on one or two heavily mortgaged rental properties; or betting big on stocks when you don't really have the stomach for it.

It is hard to know precisely how many families are underinsured or making overly large investment bets. But the available statistics suggest the problem is widespread.

For instance, according to the Social Security Administration, 68% of private-sector workers don't have long-term disability insurance, which would provide them with income if illness or injury prevented them from working—and Social Security pays such benefits only in relatively dire circumstances.

Meanwhile, financial-services trade association Limra says American adults have an average \$167,000 in life-insurance coverage. That is barely three times the median household income, while one rule of thumb suggests that those with financial dependents need at least five to seven times income.

What about those large investment bets? The Employee Benefit Research Institute found that 35.5% of individual-retirement-account owners had more than 90% in stocks. More alarming, in 401(k) plans that include company stock, 8% of participants had more than 80% of their money in their employer's shares—an extremely risky strategy—according to a report by EBRI and the Investment Company Institute.

No doubt some families don't buy enough insurance because they can't afford it or hold badly diversified portfolios because they don't know better. But in many cases, I suspect the blame lies with two mental mistakes.

First, folks misjudge the risk. For instance, if you are in your 20s or 30s and you have young children, life insurance might seem unnecessary because the chances you will die are slim. But you should focus less on the odds of an early death—and more on the

consequences. How would your family cope financially if you—and your income—were gone?

Similarly, long-term disability insurance might seem unnecessary because you don't have a dangerous job. But most disabilities don't result from on-the-job injuries, notes Terrance Odean, a finance professor at the University of California, Berkeley.

Instead, "it's because they get cancer," he says. "It's because they're in a car accident. My impression is that disability is the insurance that's mostly likely to get underbought because people underestimate the risk."

This failure to grasp the risk involved is compounded by the second mental mistake: overconfidence. We saw this during both the soaring stock market of the late 1990s and the booming housing market of the early 2000s. As prices rose, and investors either made money themselves or heard about others who were growing rich, they grew increasingly confident—prompting them to make big bets on a handful of companies, a single stock-market sector or a few rental properties.

"I feel like taking these people, shaking them and saying, 'Don't you know that this is the confidence of the ignorant?'" says Meir Statman, a finance professor at Santa Clara University in California. "It just isn't prudent. You're concentrating your money in one or two investments, when you could diversify."

Whether it is living without crucial insurance coverage or making big investment bets, you can go years without suffering the consequences. In fact, these strategies may, for a while, make you considerably richer, further bolstering your confidence that you are doing the right thing. But all it takes is a bad auto accident or a big market downturn, and your financial progress might be set back 10 or 20 years.

My advice: Spend some time thinking about life's nightmare scenarios. What would it mean financially for your family if you died tomorrow, lost your job, became gravely ill, suffered a long-term disability, got sued or the stock and real-estate markets tumbled 50%?

There will almost certainly be some financial impact. If not, it may be a sign that you are overinsured or taking too little investment risk. The crucial question: Could your family cope with the fallout—or would your financial life quickly unravel?