

# Millionaires in the Making

Tracy and David Seims

– By Yuval Rosenberg



PHOTO: BOB STEFKO

Ages: 41 and 43

**Goals:**

- Amass a seven-figure net worth
- Fund college for their two kids
- Retire in their early sixties

**Assets:**

- \$300,000 in retirement accounts
- \$200,000 in home equity
- \$175,000 in business equity
- \$67,000 in savings accounts

Growing up working class near St. Louis, Tracy and David Seim hoped that education and hard work would turn them into millionaires by age 40. Well, almost. Now 41 and 43, respectively, they have a net worth just shy of \$750,000 - not a mill, but a very respectable sum. Still, measuring themselves against their more free-spending friends, the Seims don't feel flush. They wonder if they'll be able to afford college for Gabi, 13, and Gracie, 9, a comfortable retirement and, as Tracy puts it, "some fun along the way."

The couple, who run a small company that sells industrial fasteners and other supplies, paid themselves \$103,000 last year. They have no credit-card debt, have lived in the same house (worth about \$300,000) for 14 years and don't drive fancy cars. They're so frugal compared with certain friends, in fact, that they wonder if they're missing something. "Everybody's passing us by," Tracy says. "What are we doing wrong?"

**Where They Are Now**

The Seims have a total of \$300,000 in retirement accounts, and they max out their Simple IRAs, adding \$10,500 each last year. They've also been diligently salting away money for their daughters' education - \$52,000 so far, stashed mostly in custodial UTMA (Uniform Transfers to Minors Act) accounts, to which they added \$1,200 in 2006. They also have about \$15,000 in bank CDs.

Like most investors, Tracy and David had some setbacks. At the advice of a financial planner, they invested a rollover 401(k) from David's previous job as a salesman into individual stocks. That was in 2000, right before the market tanked; the account lost more than a third of its value. The Seims have since switched advisers, moved their stash into blue-chip mutual funds and recovered most of their losses. "The only one who made any money was the adviser," David laments.

**What They Should Do**

The Seims' financial situation isn't nearly as bad as they seem to think, says Jim Reding, a financial planner at Paradigm Wealth Advisors in Des Peres, Mo. College and a comfortable retirement on a seven-figure nest egg are well within their grasp, as long as they take some practical steps now.

**Fix the investment mix.** The fact that they no longer hold individual stocks doesn't mean the Seims are diversified. To avoid ups and downs and maximize returns, Reding recommends that they add funds that hold foreign stocks, mid-size growth stocks and a few other asset classes. What's more, between the 1 percent annual fee they pay their current financial adviser and the expense ratios on the funds they own (some top 2 percent), David and Tracy are shelling out way too much. Switching to funds with lower costs would wring more profit from their portfolio.

**Make college savings work harder.** Reding suggests that the couple open 529 plans and put new savings there. The money will grow tax deferred, and the Seims will get a state income tax deduction. To cover 75 percent of projected tuition costs, the Seims should ramp up their current rate of saving to \$235 a month for Gabi and \$289 a month for Gracie.

**Don't judge progress by looking at other people's stuff.** Just because a neighbor owns a vacation house or drives a Jaguar doesn't mean he's smarter with his money: He may be living scarily above his means. The Seims need to stick to their own plan and stop worrying about what everyone else is doing. Assuming they make the changes that Reding suggests - including increasing their retirement saving by 3 percent a year - he predicts that the couple's net worth will hit the \$1 million mark within a decade.

*-By Yuval Rosenberg.*