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YOUR BOTTOM LINE

Special Edition: Road to Rescue; Tips and Tricks to Survive in This Economy

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GERRI WILLIS, CNN HOST: Hello, I'm Gerri Willis. This is YOUR BOTTOM LINE, the show that saves you money. All this week, CNN has featured "Road to Rescue," wall-to-wall reporting on the money meltdown that's changing your life and ways that you can survive in this economy.

Today, we're breaking it all down for you from recent grads entering the workforce to navigating your golden year, we've got the tips and tricks you need right now. This special edition of YOUR BOTTOM LINE, "Road to Rescue," starts right now.

From your retirement savings to your debt to your mortgage, navigating a solid financial path, well it's a challenge, that's for sure. Joining us now with some advice, two of our favorites, Jean Chatzy, she is the author of "The Difference "and Ric Edelman is the author of, "Rescue Your Money." Two great books I have to tell you.

But I want to start with some news from this week. Federal Reserve announcing, hey, you know what? We're going buy back $300 billion worth of treasuries sending mortgage rates plummeting. Jean, this is a massive opportunity for so many people.

JEAN CHATZY, AUTHOR, "THE DIFFERENCE": It absolutely is. If you've got a mortgage with an interest rate sitting anywhere in the high 5s, you should be calling your lender, you should be asking about a refi, you should be on it because we don't know how long these interest rates are going to last and the...

RIC EDELMAN, AUTHOR, "RESCUE YOUR MONEY": Jean is absolutely right and taking it further, if your mortgage is an adjustable rate loan or an interest-only loan, this is a wonderful time -- this a chance to turn it into a fixed rate loan and really protect yourself.

WILLIS: I got to tell you, you know what? Everybody's getting in line right now, so you want to do it quickly, because it's going to be a jam at the mortgage broker's office, that's for sure.

EDELMAN: The irony, the mortgage industry was in the depths of dumps and fired all their staff. Now, that everybody is rushing in, they don't have the staff to handle it. So, expect delays.

WILLIS: Right, exactly. I want to talk to you, though, about the big issue for people in their 40s, 50s, even 60s out there. You know, Ric, I come to you all the time when the market is in the dumpster and I look for optimism and you usually find me some. I heard this week that John Bogle, in front of Congress, said that the median value of a 401(k) in this country is $15,000. It's not good. What can I do to get back on track?

EDELMAN: Recognize that your personal future success is dependent on you, not the government, not corporations', it's you, your personal responsibility. It's a theme of your new book...

CHATZY: Well, it is. I mean, one of the findings in "The Difference," and we did a big research study, was that people who are financially comfortable, people who are wealthy, they save money habitually. And you need to do it in a tax deferred way as long as you can by putting the money into those 401(k)s or IRAs automatically every single month.

EDELMAN: That's the theme of my new book, "Rescue Your Money" is that you've got to save, you've got to throw money into the accounts, like Jean says.

WILLIS: Yes, yes, so Ric, Ric, Ric, I know you got to throw money into the accounts, but the problem is, where do I throw? What's the right asset allocation? How do I make up lost ground? Because that's...

EDELMAN: Don't try to make up the lost ground, that the first mistake. People are going to try to get rich quick, try to recover where they've been. Forget it. Move on from here. Recognize you have another 10, 20, 30 years to go, capitalize on the long-term perspective, not the daily headlines.

CHATZY: Even in your 50s, in your 60s, you have a long time because your time horizon is going to last you another 30 maybe 40 years and some of that money has 30 or 40 years to grow because we don't pull all the money out of retirement accounts at the beginning of retirement...

WILLIS: Especially women are going to have a long time to retirement. You can't not save because you feel like you're too close to the big "R" day. Right?

CHATZY: Right, and what he said about starting form where we are today, we had to learn that lesson with our homes. Nobody knows that better than you. When homes fell in value we will to adjust to what they are worth today. We need to do the same with our portfolios.

WILLIS: Guys, I want really to get into an e-mail because our viewers love to talk directly to you. Here it is, this is from Anonymous in Iowa. "I've been searching for local internships. I'll be turning 60 and will working until the day I drop because I've been a single mom and don't have any retirement. I have the classwork completed for my double major in accounting and marketing," that's smart, "but have not been able to find anything. Any suggestions or ideas would be helpful."

Jean, 60, going back to school. What do you think?

CHATZY: I think go directly to Mom Corps on the Web. Mom Corps is a Web site that specializes in placing women, and they do a bang-up job with accounting in particular. It is one of their hot areas. And every time I talk to the CEO, and by the way, they are national, accounting, accounting, accounting, that's who they want, she in the right place.

WILLIS: All right, but I have to ask you this question because I hear this all the time. Can I re-invent myself at 40, 50, 60?

EDELMAN: Yes, yes.

CHATZY: Yes.

WILLIS: Go back to school?

EDELMAN: Yes. Absolutely yes.

WILLIS: It's expensive, though.

CHATZY: It doesn't have to be expensive. You can go to community college, you continue to teach yourself on your own, you can take classes on the internet. You can get an internship, like she was talking about, although, I got to say to anonymous, whoever she is, skip the internship and try -- you've got accounting. Go get paid. Yeah.

WILLIS: How does this woman build up a retirement from zero?

EDELMAN: It's a challenge, there's no question about it. Retirement as we've known it, as a 20th century innovation, is really gone in this 21st century. We need to recognize that fact. The notion you're going to retire at 62 and be retired for 35 years, not going to be realistic for most Americans.

WILLIS: This is really a DYI economy for everybody out there. You have to do it on your own, you have to take responsibility yourself. You know, and for women it's particularly, but it's also tough poor men. Right?

CHATZY: It's tough for anybody. But, she's already adjusted to the fact she's going to have to work for a long time, she should make sure she puts into Social Security until older. You don't take it at 62, if you take it at 67 the payouts are 50 percent larger. And if you did make the mistake and took the money and you have the money, pay it back to the system and take the newer higher payouts at age 67.

WILLIS: Delay your retirement, get a second job. We're going to have to leave it there, but we've got more time, so stick around. We've got more with Jean and Ric on how to save smart and prepare for retirement.

And for more on CNN coverage of the "Road to Rescue," and to put together your very own survival guide, logon anytime to cnn.com/rescue.

(COMMERCIAL BREAK)

WILLIS: This is a special edition of YOUR BOTTOM LINE, "Road to Rescue." We're all about solution , each and every week on this program. Back with us again, Jean Chatzky, she's author of "The Difference "and Ric Edelman author of "Rescue Your Money."

Welcome back, guys. Let's get to some of these really thorny question, people send me e-mails all the time and I've heard lately, especially, with all the headlines about AIG in the papers and on TV, what should I do about my annuity. Ric, I know you think a lot about this.

EDELMAN: Yeah, we have the same kind of concerns from consumers. If you have a variable annuity with AIG it's not an issue, don't worry about it because your money is segregated away from the company. So, even if they went broke, you're fine. If you have a fixed annuity or immediate annuity, if AIG goes broke, your money is gone. But, the fact they're 80 percent owned by the government...

(CROSSTALK)

WILLIS: That's supposed to makes me feel good?

CHATZY: That doesn't sound good.

EDELMAN: But it's the way it is. But, the fact they're 80 percent owned by the U.S. government gives a lot of solace. The likelihood of AIG going under is extremely remote, a lot less so than a year ago. So, talk to your financial adviser to see if there's a significant risk you have with your annuity and see if you can transfer it away from AIG to another insurance company.

WILLIS: That's possible if there aren't surrender fees.

EDELMAN: There my might be surrender fees, there might be lower interest rates and lots of problems, but it's worth looking at.

WILLIS: I want to move on because you know, that only affects some of our viewers out there, and I know a lot of people are worried about it, but also, everybody is worried about making up ground right now. How do I get that 401(k) in shape? How do I get my savings in shape?

Jean, we talked about this in the last block. But, to me, you can never say enough about this question. What is the one thing? Maybe I've stopped -- should pay down my mortgage faster or slower? What's the best thing to do here?

CHATZY: Well, the first thing that you have to do is save more. I mean, when we're talking about making up lost ground, it all starts with saving money, and that means going through the budget line by line and finding any place where you could trim a little bit, and then putting it where it will work for you hardest.

WILLIS: Where will it work hard evidences?

EDELMAN: Well, lottery tickets, but you know...

(LAUGHTER)

CHATZY: I beg to differ. EDELMAN: So, in the absence of that, then you really have no choice but to focus on long-term savings.

WILLIS: I don't know, Ric, sometimes good, sometimes bad. No, seriously, where would you put your money right now, if were you looking for return? And people are looking for a return they can count on.

EDELMAN: Start stop look at immediate return, stop looking at what's making money today, focus on the next 20 years and it's equities. It is a long-term diversified portfolio, that's what will win the day.

CHATZY: Right, and it's rebalancing along the way. So many people, as the markets ran up to 14,000, didn't take money off the table, didn't rebalance. If they had, they would be sleeping a lot better today. And you asked about paying down that mortgage. You evaluate that return against the other returns that you could possibly get. If you're paying mortgage at 4.75, which is where rates fell to this week, after the tax deduction, it costs you about 3.5 percent. Ric and I differ on this a lot, because I want out of my mortgage before I retire and he'd like to carry it forever.

WILLIS: It's fine to disagree on this, because smart people disagree on a lot of things.

EDELMAN: But look at this, as Jean was saying, if you've got a mortgage that is now 3.5 percent after tax, why on earth would you want to get rid of that when you can throw the money into investments with the possibility of generating higher return and more importantly, maintaining liquidity in case you have a further job loss...

WILLIS: Cash on hand, that's what liquidity means.

CHATZY: Absolutely. Absolutely, except when heading into retirement, when I am heading into retirement, I want to know my house is paid off. I want to know...

EDELMAN: Don't you equally want to know you have the cash to pay off the house? Isn't that just as good?

CHATZY: Yes, I absolutely want to know both. But I think that we've gotten away from this -- this era where we expect to actually own our homes. I think owning your home actually owning it rather than carrying it, I think it's a good thing.

WILLIS: Is it a recipe, seriously, though, for poverty in old age, if you have to continue making the mortgage payment...

EDELMAN: No, the recipe for poverty is having bills that you cannot afford to pay. And having a home fully paid for doesn't help you put food on the table or buy medicine or spoil the grandchildren. So, we have to recognize there's more to life than just being debt free.

WILLIS: OK, I know, let's get on to some other things, because you guys have so much good information.

Jean, I didn't have a chance to direct this question to you, but best places to put your money now? People are looking for answers.

CHATZY: Best places right now, emergency cushion first and then, as Ric said, long-term investment, starting with a 401(k). If you get a match, please take it, please. Those matching dollars are...

EDELMAN: Don't give away free money.

CHATZY: Yes, they're the last free lunch. So, you get the matching dollars, you max out if you can, or you put money into an IRA or a Roth IRA. You take advantage of any of the tax advantage investing opportunities you have, and if you can do as many of those as possible, you invest some more on the side.

WILLIS: All right, let's get to the e-mail we have. Another one from another anonymous person. "I've been told that under the president's stimulus plan, if you have not 'purchased' a home in the last three years you would be considered a new homeowner and would eligible for an $8,000 tax credit. We've owned a home 39 years. If we sell and buy another home or build, how can we get around this rule? Are we eligible for the tax credit?"

EDELMAN: No.

WILLIS: Yeah, no.

EDELMAN: And so what? It shouldn't be, if the government gives me something then I'll do it. No, go back to personal responsibility, personal affordability. What are your goals and objectives, if it makes sense for you, go ahead.

WILLIS: All right, and I assume you agree -- Jean.

CHATZY: Yeah, that was a clear no on that one.

WILLIS: Yeah, OK, sorry anonymous. But, great answers from a fantastic panel. Thank you so much.

Time now for YOUR BOTTOM LINE. Save as much as can you in tax deferred accounts, if possible. Keep working to pay down your mortgage and your debt, and work on reducing your expenses as much as possible. Putting a budget on paper or even in the computer can help.

For more information on issue No. 1, America's economy, anytime and the rest of the day's news as it affects your bottom line, logon to CNNmoney.com.

It's more important than ever for young investors to have a solid financial plan. What you need to know, right now, to have a more security financial future.

(COMMERCIAL BREAK)

WILLIS: Starting off on the right financial foot is essential. Joining me now to break down how to do that is Beth Kobliner, she's the author of "Get a Financial Life."

Beth, welcome. Good to see you.

BETH KOBLINER, AUTHOR, "GET A FINANCIAL LIFE": Great to see you, Gerri.

WILLIS: All right, let's start with young folks, just out of school. I read that the average senior in college has something like $20,000 in college debt. Now, that is a lot. You say pay down your financial, your debt, your college debt and other debt, but how realistic is it that people can make a lot of headway against that?

KOBLINER: It's so difficult. And I think the most important thing is to look at what debt you have. They have $20,000 in student loans and $2,600 in credit card debt and a lot of people feel overwhelmed by their student loans, they want to pay that off as quickly as possible.

WILLIS: But, that's a low-rate debt, right?

KOBLINER: Exactly, so you want to start paying off that high- rate credit card debt more quickly. One idea could even be stretching the term of your student loan over say 20 years, lower the payment, but use that extra cash to pay off the high-rate credit card debt more quickly and stop using your cards.

WILLIS: Well, yeah, the better moral of the story there is to stop using your cards.

KOBLINER: Absolutely.

WILLIS: Now, you guys did a survey, which I found really interesting, about what people know about their credit card. The answer is, not a lot.

KOBLINER: That's right. It's hysterical. When you ask people, do you know who Tom Cruise and Katie Holmes' daughter is, 78 percent of the people knew it was Suri. Did you know that?

WILLIS: Yeah.

KOBLINER: Now, when it comes to your credit card interest rate, 45 percent, only knew their credit card interest rate. So, 78 percent know the celebrity gossip and 45 percent know their credit card interest rate.

WILLIS: It's not surprising, though, I have to tell you and it's something that we deal with here all the time, people not understanding their credit cards, the terms of their credit cards. And for people in their 20s, that's absolutely essential.

Now, when you move to your 30s, though, the priorities become something different. Now I'm starting to think about, hey, you know what, I might be able to buy house, here. What's the reality, though, for people getting into the housing market, now? Because now you've got to put down 10 percent, 20 percent? KOBLINER: It's a very different world out there. You know, in 2007, the average down payment was two percent and 40 percent of people put down zero percent. Very different world right now. Like you said, you need to put down 10 to 20 percent in order to get a home loan. You need to come up with that big down payment, plus you have to have great credit.

And that's why it's so important for young people to do. Maybe they can't pay off all the credit card debt, but want to at the very least make the on-time payments. On-time payments.

WILLIS: And also, of course, contribute to your 401(k) and IRA. I want to take an iReport. We have a question for you, Beth, from an iReporter. Let's listen to that.

(BEGIN VIDEO CLIP)

MAYLINE RIVERA, IREPORTER: I got a car last summer, and I have a seven percent interest rate, and I'm seeing all these commercials with all these card companies offering zero percent interest. So my question is, if I return my car and go to a -- and get a new car with zero percent interest, how that will affect my credit if I return my car?

(END VIDEO CLIP)

WILLIS: All right, so should I trade in the car to lock in a lower interest rate?

KOBLINER: The answer no, because even though it's very tempting and a lot of car manufacturers are offering these great zero percent deals to sell their cars. And If you don't own a car, it's a good time to get a car loan. But, in her situation, because you've had the car for one year, it's depreciated dramatically so, she's going to have much -- she owes much more than the car is worth, for starters. And also, there are taxes and finance charges when you refinance.

I would say for her, what she might want to do is see if there's a credit union or bank she can actually refinance this seven percent. The national average right now is six percent. So maybe she can even get five percent. It's tougher to refinance an auto loan, but it is doable and it's worth checking out.

WILLIS: And those zero percent offers just hard to walk by. That's for sure.

Let's talk about being in your 40s, a little bit now. A lot of people have kids by that time, they're starting to think, how do I pay for their college education. You know, they have lots of demands on their money. What is their priority?

KOBLINER: The priority is retirement. Because you can borrow for college, there are still great student loans out there and they're still available -- Stafford student loans at pretty low interest rates, plus loans for parents.

WILLIS: And they're even better deals now that we've had the stimulus package.

KOBLINER: That's right, absolutely. But, you cannot borrow for your retirement. And that's the hard lesson that a lot of people have been learning.

WILLIS: So, in your world of priorities, it starts with retirement by the time you hit your 40s.

KOBLINER: Absolutely. Even in your 30s, start in that 401(k). and if you're nervous about the market, right now, you could still put money in your 20s in a 401(k), a little bit, and if you're super, super nervous, you can put it in something super safe for the next year or two. But if you're looking over the long-term, putting it into the stock market, 20, 30, 40 years you're going to touch it, it makes sense.

WILLIS: Start investing in that 401(k) at all times.

All right, thank you for that. Beth Kobliner.

Time now for the bottom line, get an early handle on your debts, make sure you take the time to review all your health insurance options and invest as much as possible in your 401(k) and Roth IRAs, you'll be happy you did. We'd like to answer your questions and the best way we can do that is if we get to see you. Just logon to cnn.com/helpdesk any old time and click on the link to submit an iReport for us.

Whatever your age or budget, you're looking to save a buck at the grocery store, we're going to show you how to do it and still stick to your diet.

(COMMERCIAL BREAK)

WILLIS: With food prices rising, well, eating healthy is expensive, but there are some tricks to keep it low cost and eat healthy at the same time. Joining us now, Dave Zinczenko, editor-in- chief at "Men's Health" and the author of "Eat This Not That."

Welcome, good to see you.

DAVID ZINCZENKO, MEN'S HEALTH,: Hey, good to see you, Gerri.

WILLIS: All right, I want to start you with this, when I go shopping, you know those supermarket marketers are there, they're moving things around, trying to get you to get you to buy certain stuff. Right? I mean, they're playing tricks on you.

ZINCZENKO: Yeah, they should be playing "Welcome to the Jungle," because you got 50,000 packages and you've got to figure out what's the most nutritious and healthiest and cheapest. And that's what "Eat This Not That" comes in is because what we've been able to do is distill it all for you so you know what the rules are, what the tricks, the secrets, all of that.

And, Dustin Robinson, a guy from Long Beach, California lost over 40 pounds in three months by making it a go-to guide, and he's never dieted and he's still eating all his favorite foods.

WILLIS: Well, OK, that's a big promise, I have to tell you.

But, let's really look at some of the stuff you would actually see in a supermarket. And I got to tell you, I'm shocked by some of this. So, you say, no.

ZINCZENKO: No. What we've got here is we've got granola and granola has great publicist because actually what you're talking about is, for a bowl, you're talking about 420 calories. You're talking about seven grams of saturated fat. That's almost a half-day's worth. You're talking about the calorie equivalent of eight chicken wings.

So, what you...

WILLIS: Whoa, whoa, whoa, really?

ZINCZENKO: Yeah, but if you stick with Quaker and go with oatmeal squares, you're going to save over 200 calories. If you make a smart swap like that every day, that's almost 20 pounds in a year.

WILLIS: Twenty pounds in a year.

ZINCZENKO: Yeah.

WILLIS: Well, I like that.

ZINCZENKO: That's good and you're not dieting. You're still eating your cereal.

WILLIS: Sort of, yeah. OK, now here is where the trouble really is, at lunch, and you're trying to get something quick, fast, maybe something you buy, send your child to school with, and you say can get in real trouble, here.

ZINCZENKO: Well, here you have two choices from Oscar Meyer. This is the -- their "Maxed Out" Lunable, right here. It's turkey and cheddar. This happens to be the caloric equivalent of 15 chicken nuggets.

WILLIS: What?

ZINCZENKO: It has 680 calories.

WILLIS: OK, you're paying $3.65 for a heart attack is basically what we're talking about.

ZINCZENKO: And it has 1,400 mg of sodium and 61 grams of sugar. So, you don't want to send little Johnny off to school with that because he's going to get a sugar crash. On the other hand, here we have the buffalo style ranch, this must, apparently come out of Oscar Meyer's skinny and responsible division, because it's only 280 calories so you're saving almost 400 calories, there, 40 pound a year.

WILLIS: I like that. OK, I got to get you to pasta. So, I would think that this is a box of pasta, OK? I mean, what are you telling me, I can't eat this?

ZINCZENKO: I'm telling you that this side has the sodium equivalent of four orders of McDonald's medium French fries. What I'm saying is this isn't a great side because it has a meal's worth of calories. But, if you go with nature's way, cream parmesano, also by Pasta Roni, you're going to have 280 calories, you're going to cut a lot of sodium, cut a lot of fat and you're still going to be able to indulge.

WILLIS: David, fantastic information. And you know, what's interesting about this last example, it's the same company, it's just a different choice in the same line. So, you can make business changes.

ZINCZENKO: Absolutely.

WILLIS: All right, David, thank you for that.

As always, we thank you for spending part of your Saturday with us. YOUR BOTTOM LINE will be back next week right here on CNN. You can also catch us on HLN every Saturday and Sunday at 3:30 p.m. Eastern Time. And you can hear much more about the impact of this weeks' news on your money on "YOUR MONEY" with Christine Romans and Ali Velshi, Saturdays at 1:00 p.m. Eastern and Sundays at 3:00, right here on CNN.

Don't go anywhere, you're to stories are next in the CNN NEWSROOM. Have a great weekend.

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