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INVESTING IT;I'll Take 'Investment Strategies' for $500, Please

By ROY FURCHGOTT JULY 14, 1996

AS a contestant on TV's "Jeopardy," Bradley C. Plovan had all the answers. He knew the name of the composer buried next to Beethoven in Vienna ("Who was Schubert?"). He knew the title of the speech William Jennings Bryan delivered at the 1896 Democratic Convention ("What is the 'Cross of Gold' speech?"). He even knew the nickname of Irwin Handelman, a character on the sitcom "Family Ties" ("What is 'Skippy?' ").

But when it came to deciding what to do with his $61,000 prize for his five consecutive victories on the show, Mr. Plovan, a 30-year-old Baltimore lawyer, did not have a clue.

I didn't have some huge debt or owe a mob boss, so I didn't have a coherent idea," he said. He could become even more befuddled in October, when, as a five-time winner, he returns to California to compete for $100,000 in the game's Tournament of Champions.

Mr. Plovan's inattention to finance is understandable because his income has never left much to invest. An A- student who attended the University of Louisville on a scholarship, he graduated in 1987 without career plans. He ended up working weekdays as a gofer in a law firm and weekends at a bowling alley.

Eventually, he decided to become a lawyer, enrolled at the University of Maryland at Baltimore and in 1992 passed the state bar exam. But he found that new lawyers far outnumbered the job openings. So he worked as an aide in the Maryland Senate, managed a campaign for the State Attorney General and did temporary legal work.

Then came "Jeopardy." He tried out for the show in April 1995 in Atlantic City, and flew to California in September for the real thing. His only preparation -- a preflight purchase of an almanac and a Cliff Notes on Shakespeare -- was apparently enough.

Mr. Plovan did not receive his "Jeopardy" check until April; the game show withheld $4,300 for California taxes, and he set aside another $15,000 for Federal and Maryland income tax.

With the remaining $41,700, he started attending to practical matters: paying his mother $9,600 that she had lent him for law school and buying a sofa, a bed and other items for his modest apartment. "No sports car or great vacation," he shrugged.

Indeed, Mr. Plovan, a regular clipper of grocery coupons, is thrifty. "I am not one of those compulsive savers, like, 'Mrs. Whittle lived on cat food while she had $20 million in the bank which she left to her boarding school,' " he said. But over the years he managed to salt away about $7,200 in an individual retirement account.

And his nonretirement assets, now swollen by the $31,000 remaining from his "Jeopardy" success, include a largely untouched $30,000 inherited from his grandfather in 1993, as well as other savings. The assets' total value: about $72,000.

But Mr. Plovan has not done much exploring about how to invest. As a result, he is holding his money in the most convenient form: cash. The $7,200 in the I.R.A. is in three certificates of deposit, paying 4.59 percent to 4.74 percent interest, and in a bank money-market fund paying 4 percent. The $72,000 in other money is in also in a bank money market fund, at 4.8 percent.

But Mr. Plovan's life is changing, and so is his attitude about money. He has a new job, as a lawyer at a fledgling bankruptcy firm in Towson, Md. It pays just

$22,000 a year, without benefits, but his employer has proposed a $5,000 raise after six months and up to $8,000 more after another six months if the practice prospers.

Mr. Plovan, who is single, is also hoping to meet someone and marry soon, although he sees no immediate prospects.

"I could be in the market for a house," he said, "and I might want to put aside college money for the kids who don't exist and have no potential mother," he said.

DESPITE his past ability to save, Mr. Plovan's expenses now outstrip his income. He is spending about $31,700 a year, including taxes, on pretax income and interest earnings that total $26,500. That's a shortfall of $5,200; part of the drain is $4,000 a year in student loan payments and $2,000 for health insurance.

For these reasons, Mr. Plovan is now seriously considering the advice some financial planners recently offered him. For example, all the planners suggested that he buy disability insurance -- a need that Mr. Plovan understands, having been unable to work for six months in 1994 because of an injured disk in his neck. He also agrees with their recommendation to draw up a will. Although in many states young, single people with modest estates do not need a will, under Maryland law a will helps heirs avoid complex, lengthy court procedures.

And he appreciates a recommendation for an emergency fund. Two planners, J. Michael and Mary E. Martin, of Financial Advantage, in Columbia, Md., suggested that he keep about $15,000 in a money market account for that purpose.

The planners also assumed that Mr. Plovan's income prospects were bright enough that his problem with expenses would recede over the next few years. But without those income increases, the cash deficit must be resolved, the Martins warned.

Most important, Mr. Plovan, who is nothing if not a quick study, is realizing the danger of putting all his money in cash.

Donald L. Lebowitz, a financial planner with Investment Management and Research in Baltimore, presented it to him this way: "At your age, you might as well put that money into something very aggressive and forget about it." Over the long run, Mr. Lebowitz wrote in a detailed analysis, "equities will outperform fixed-income investments." Also, putting all one's money in one basket -- be it cash, stocks or bonds -- is always bad strategy, the planners believe; diversification is important.

Thus, Mr. Lebowitz suggested that Mr. Plovan put about 55 percent of his assets in stocks, 30 percent in bonds and 15 percent in cash. About 10 percent of these assets should be in foreign stocks, he said, and 15 percent in small domestic companies.

The Martins offered a roughly similar allocation. They advised Mr. Plovan to put 30 percent of his assets in domestic stocks. Their preferred vehicles are mutual funds with no upfront sales charges; for domestic stocks, their favorite such funds include Greenspring, a balanced fund; Baron Asset, which invests in small companies, and T. Rowe Price Science and Technology.

Another 30 percent of Mr. Plovan's assets should be directed to long-term bonds and 15 percent to short-term bonds, the Martins advised. Their fund selections here were Loomis Sayles Bond and Vanguard Short-Term Corporate Bond, respectively. And they suggested that Mr. Plovan keep 10 percent of his money in cash and put 15 percent into foreign stock funds like Montgomery Emerging Markets, which focuses on developing countries.

Although he is ready to diversify -- he has not chosen a precise allocation -- emerging markets make him nervous. "It might be more risk than I am comfortable with," he said. "If I had $1 million with them and 10 percent tanked, you could still live on $900,000 in investments. That loss would hurt me more."

But he does not seem too conservative, either. He rejected the idea of immediately paying the balance on his $19,300 in student loans, for instance, because he thinks his money can earn more than the 8 to 9 percent he would save on interest. "After last year's stock market," he said, "you look at 9 percent and say, 'What is that?' "

IN fact, while the all-cash portfolio might imply otherwise, Mr. Plovan is not risk-averse. Convenience was a major reason he stayed in cash, and is still a top priority.

"Right now I have a new job and some other things going on," he said. "I don't want to do some of the more complex things that take some monitoring."

For these reasons, the Martins suggested that Mr. Plovan open two accounts at Schwab's One Source, one for his I.R.A. and the other for taxable assets. With One Source, he can invest in any of hundreds of mutual funds, from different fund families, and can track them on a consolidated statement. He can also avoid redemption or wire fees that might apply if his investments span different fund families.

All told, though, Mr. Plovan has found that winning at investing requires more than a glance at an almanac. "I'm not completely ignorant of investing," he said, "although I am a lot more ignorant than I thought."