THE GAME PLAN

At 40 Years Old, It Is Time to Save More And Spend Less

BY VERONICA DAGHER

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A self-employed 401(k) plan with a profit-sharing component will allow for pretax contributions from Jeni Aron's businesses.

With her 40th birthday approaching, Jeni Aron decided to make some life changes.

For starters, the New Yorker tore up her four retail-store credit cards. She put herself on a "cash diet"—using the remaining credit card only to pay for big-ticket items such as plane tickets. She now pays her credit-card bill in full each month.

The 40th birthday, which she recently celebrated, was one reason for these and other changes. Another reason: a desire to invest more in her businesses.

Ms. Aron has a full-time job in television programming during the day. But she also works as a personal organizer and stylist through two businesses she founded more than 12 years ago, Clutter Cowgirl and Styled by Jeni. The businesses are growing rapidly. "I'm probably up about 30% in monthly clients" from a year ago, Ms. Aron says.

She figures by spending less on things that aren't directly related to her businesses, she'll have more money to pour into them. So she's eating at home more, and when she goes out to dinner she chooses less-expensive restaurants. "I don't need to spend at least $45 on dinner every night of the week," she says.

When she goes on vacation now, she'll often stay with friends instead of at the high-end hotels she used to opt for.

The changes are paying off since she made them in January. She eliminated all of her $15,000 credit-card debt. She could afford to pay a professional $2,000 to design a website for Styled by Jeni. (Clutter Cowgirl already had a separate site.) And she was able to pay $500 for professional photographs she uses to promote her businesses.

She's also racking up more in savings. She boosted her 401(k) contribution to 6% of her salary, from 4% previously, and she has pumped up the savings in her high-yield online savings account to $35,000 from about $15,000. She has saved about $90,000 in her 401(k), where she invests in stock and bond mutual funds, and has about $45,000 saved in an IRA.

She's hoping that by continuing to work in her corporate job and take on more organizing and styling clients, she'll save even more for retirement.

Meanwhile, she's keeping her business overhead low. She uses part of her apartment as an office and hasn't hired any employees, though she hopes to in the future. Her best friend, who is a publicist, helps her promote her businesses at no charge.

She also has cut down her spending on clothing. Now, she spends no more than $500 a month on clothes, compared with the roughly $1,200 she used to spend. For some items, such as purses, she's sure to take the advice she gives to her own clients: "Buy quality investment pieces that will last you years," she says.

Looking ahead, she'd love to start training other organizers and write a book about organizing to bring in more income. She'd like to own an apartment and a country house, too.

An early retirement isn't in her plans. "I have so much energy and passion for what I do. I can't imagine not working," she says.

ADVICE FROM THE PRO: *"Jeni is doing a great job of managing her finances. Having no debt and only one credit card is the perfect strategy to build wealth," says Darin Schnall, a fee-only financial planner in New York.*

Her $35,000 cash cushion is smart and her retirement savings are very good, he says. She should look to continue to boost her savings for retirement, ideally saving a minimum of $20,000 annually, he says.

Owning an apartment is a good goal, Mr. Schnall says. To do that, he says, she should aim to have at least an added $65,000 to $75,000 in cash for a 20% down payment.

Ms. Aron should consider establishing a self-employed 401(k) plan with a profit-sharing component to allow additional pretax contributions from her businesses, Mr. Schnall says.

If Ms. Aron ever wants to leave her corporate job to work on her businesses entirely, she shouldn't do so until her business income is at least 50% of her current corporate salary, he says.

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