

COMMON FINANCIAL MISTAKES

A few things you can't afford to do.

Provided by **Richard P. Costner, CFP®**

Are you making mistakes with your money? Many people do, because of inattention, a lack of knowledge or confidence, or relying of the advice of friends rather than professionals. Here are some all-too-common money errors to avoid ...

Putting off financial planning. This may be the biggest mistake of all. Procrastination does not help you save for retirement, and it will not help you reduce your taxes or transfer money to your heirs. Delaying necessary financial planning can be perilous. Some avoid planning out of fear - they simply don't know where to begin. Don't let this stop you. Decide today to do something about your financial future.

Putting all your eggs in one basket. Too many people invest everything in just one place. Try spreading your assets across multiple investments, and you'll help to insulate them against the effects of economic ups and downs.

Buying more home than you can afford. Interest-only loans, option adjustable-rate mortgages (option ARMs) and lease purchases still tantalize couples and families with small nest eggs, modest salaries and credit blemishes into taking on much more liability than they can bear. The result is often foreclosure. Speak to a professional to make sure the amount of home you purchase makes sense for you.

Making impulsive or emotional money decisions. A decision that feels good (or exciting) may not be appropriate for you financially. Avoid spur-of-the-moment financial choices, and the influences that may trigger them. The next time you're about to make a snap decision, stop and think. Will you lose the opportunity if you take a while to consider your next move? Consider and compare whenever possible.

Living above your means. In the acclaimed book *The Millionaire Next Door*, authors Thomas Stanley and William Danko found that most millionaires drive used American cars and shun a champagne-and-caviar lifestyle. It is the middle class that is generally seduced by big-debt, big-ticket luxury items ... sometimes all the way into bankruptcy. Make wise decisions about money, take the time to consider big purchases, and be mindful of what effect they'll have on finances down the road.

Avoiding all risk. Caution is good, but being extremely risk-averse (for example, refraining from investment and just putting your money in an FDIC-insured bank account) may cost you in terms of the growth of your retirement savings and assets. If you're holding back because you're unsure, speak with a financial advisor.

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