
Avoid These Financial Mistakes

Posted on: July 10, 2023

Managing personal finances effectively is crucial for long-term financial stability and security. However, many consumers often fall prey to common financial mistakes that can hinder their progress and lead to unnecessary stress. By understanding these pitfalls and taking proactive steps to avoid them, individuals can make smarter financial decisions and pave the way for a more prosperous future.

In this article, we will highlight seven common financial mistakes that consumers should be aware of and provide practical tips on how to avoid them.

Buying too much on credit

No matter what income level, more people get into financial trouble because of too much debt than any other reason. 'Too much' means different things to different people. Very few people go through life without making a purchase on credit. However, trying to 'keep up with the Joneses' rushes too many of us into lifestyles we simply can't afford. Buy some things you need on credit, like a home or a car, but save up the cash to buy the things you want.

Not paying yourself first

If you were at a movie with your family and a fire broke out, who would you save first? The car dealer, the tailor, the stereo store manager, or your family? Silly question, but too many people do just that with their money by spending first and saving what's left. All too often they find too much month left at the end of their pay cheque. Get into the habit of an automatic savings withdrawal plan on a monthly or weekly basis.

Taking too long to pay off debt

It is extremely expensive to carry credit card balances. Don't forget, if your credit card balance isn't paid off when it's due, all new purchases start attracting a high rate of interest (usually between 18% and 20%) from the date of purchase. You should pay off your mortgage as quickly as possible, too. A \$100,000 mortgage at 6% paid off over 20 years instead of 25 years will save you about \$21,017 in interest.

Not following a budget

A budget doesn't have to be a formal, detailed exercise. Simply comparing planned expenses with your income over a period of time, say a year, will help you decide what you can truly afford. Don't forget to plan for annual expenses, like vacations, insurance and property taxes, so you won't be forced to use credit.

Failing to comparison shop

This doesn't mean driving across town to save a dollar. When buying big-ticket items, like vehicles, furniture and appliances, it pays to compare prices and quality. Remember that really cheap pair of shoes that only lasted a few months? When purchasing something you expect to use for a long time, a quality item will often cost you less, over time, than a cheap one.

Trying to make a quick buck

Who hasn't heard a hot investment tip lately? The allure of doubling your money in a short period of time can be very seductive. However, one basic rule will always apply - if it's too good to be true, it usually is. Remember, if you have two investment choices and the rate of return is higher on one than the other, so is the risk of losing some or all of your money. It is wise to have a well-diversified portfolio to help manage risk during downturns in the market.

Believing the future will take care of itself

Never has, never will. You have to plan for long-term goals like retirement, children's education, and opportunities. They simply will not happen by themselves. It is wise to also plan for emergencies, like the death of a breadwinner, illness or injury, or temporary unemployment. Life insurance, accident and sickness insurance, and a rainy day account should form the foundation of your financial strategy.

Avoiding common financial mistakes is essential for building a solid financial foundation. By living within your means, prioritizing savings, and making informed decisions, you can avoid unnecessary debt and establish a secure future. Take the time to track expenses, pay off high-interest debt, and plan for long-term goals. With discipline and financial awareness, you can navigate the financial landscape with confidence and achieve your desired financial well-being.

If you have questions about making the right financial decisions, [contact us today](#) [1] and we can assist you.

Copyright © 2023 AdvisorNet Communications Inc. All rights reserved. This article is provided for informational purposes only and is based on the perspectives and opinions of the owners and writers only. The information provided is not intended to provide specific financial advice. It is strongly recommended that the reader seek qualified professional advice before making any financial decisions based on anything discussed in this article. This article is not to be copied or republished in any format for any reason without the written permission of the AdvisorNet Communications. The publisher does not guarantee the accuracy of the information and is not liable in any way for any error or omission.

Tags: [financial strategies](#) [2]

Source URL: <https://limeridge.com/e-newsletter/2023/2023-07/article-1.htm>

Links

[1] <https://limeridge.com/contact-us> [2] <https://limeridge.com/taxonomy/term/18>