Bad Money Habits to Break In 2018

Behaviors worth changing for the New Year.

Provided by Joseph D'Urso

Do bad money habits constrain your financial progress? Many people fall into the same financial behavior patterns year after year. If you sometimes succumb to these financial tendencies, the New Year is as good an occasion as any to alter your behavior.

#1: Lending money to family & friends. You may know someone who has lent a few thousand to a sister or brother, a few hundred to an old buddy, and so on. Generosity is a virtue, but personal loans can easily transform into personal financial losses for the lender. If you must loan money to a friend or family member, mention that you will charge interest and set a repayment plan with deadlines. Better yet, don't do it at all. If your friends or relatives can't learn to budget, why should you bail them out?

#2: Spending more than you make. Living beyond your means, living on margin, whatever you wish to call it, it is a path toward significant debt. Wealth is seldom made by buying possessions; today's flashy material items may become the garage sale junk of 2027. That doesn't stop people from racking up consumer debts: a 2017 study conducted by NerdWallet determined that the average U.S. household carries $15,654 in credit card debt alone.[1]

#3: Saving little or nothing. Good savers build emergency funds, have money to invest and compound, and leave the stress of living paycheck-to-paycheck behind. If you can't put extra money away, there is another way to get some: a second job. Even working 15-20 hours more per week could make a big difference. The problem of saving too little is far too common: at the end of 2017, the Department of Commerce found the U.S. personal savings rate at 2.9%, a low unseen since 2007.[2]

#4: Living without a budget. You may make enough money that you don't feel you need to budget. In truth, few of us are really that wealthy. In calculating a budget, you may find opportunities for savings and detect wasteful spending.

#5: Frivolous spending. Advertisers can make us feel as if we have sudden needs; needs we must respond to, needs that can only be met via the purchase of a product. See their ploys for what they are. Think twice before spending impulsively.

#6: Not using cash often enough. No one can deny that the world runs on credit, but that doesn't mean your household should. Pay with cash as often as your budget allows.

#7: Gambling. Remember when people had to go to Atlantic City or Nevada to play blackjack or slots? Today, behemoth casinos are as common as major airports; most metro areas seem to have one or be within an hour's drive of one. If you don't like smoke and crowds, you can always play the lottery. There are many glamorous ways to lose money while having "fun." The bottom line: losing money is not fun. It takes willpower to stop gambling. If an addiction has overruled your willpower, seek help.

#8: Inadequate financial literacy. Is the financial world boring? To many people, it is. The *Wall Street Journal* is not exactly *Rolling Stone,* and *The Economist* is hardly light reading. You don't have to start there, however: great, readable, and even entertaining websites filled with useful financial information abound. Reading an article per day on these websites could help you greatly increase your financial understanding if you feel it is lacking.

#9: Not contributing to IRAs or workplace retirement plans. Even with all the complaints about 401(k)s and the low annual limits on traditional and Roth IRA contributions, these retirement savings vehicles offer you remarkable wealth-building opportunities. The earlier you contribute to them, the better; the more you contribute to them, the more compounding of those invested assets you may potentially realize.

#10: DIY retirement planning. Those who plan for retirement without the help of professionals leave themselves open to abrupt, emotional investing mistakes and tax and estate planning oversights. Another common tendency is to vastly underestimate the amount of money needed for the future. Few people have the time to amass the knowledge and skill set possessed by a financial services professional with years of experience. Instead of flirting with trial and error, see a professional for insight.

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Citations.

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2 - reuters.com/article/us-usa-economy/strong-u-s-consumer-business-spending-bolster-growth-picture-idUSKBN1EG1J2 [12/22/17]