



Top 10 Money Management Mistakes

1. NO SPENDING PLAN

The "where does the money go?" question frequently comes up because of spending on a day-to-day basis, without any sort of plan for taking care of needs and wants. Here's where a money management program can help you spend your money wisely, to reach your goals.

First, set up priorities: know your regular expenses; determine what your goals are in relation to short-and long-range aims. Take critical look at your expenses and weed out those that don't give real satisfaction.

2. NO CASH RESERVE

Financial experts recommend that every family have a cash reserve of at least 50 percent of their annual income. To acquire this means developing good saving habits and self-restraint in spending. There is a definite need to save so you have an emergency fund when unexpected expenses arise.

Knowing you have a safety margin of savings will also give you a feeling of security and greater peace of mind. And don't forget a savings account enhances your credit standing.

3. TOO MUCH USE OF CREDIT

Using credit can be a real help or a trouble spot depending upon how you use credit. The biggest problem usually is that families overextend themselves and become committed to larger payments than they can meet.

Credit terms differ, too. Shop carefully for credit--as carefully as you do for goods and services. Be sure time instalments fit into your budget and don't take on more than you can handle. Know the cost of credit terms. The real cost. Keep track of expenditures made with charge accounts or credit cards, so the bills won't come as a big surprise to you. And pay on time to keep your credit rating solid.

4. NON-CONSTRUCTIVE USE OF WINDFALLS

You receive a tax refund, a bonus or raise, perhaps an inheritance. Most families are inclined to spend the extra money on luxuries they wouldn't ordinarily consider. And poof, the money's gone.

There are many ways to put "windfalls" to constructive use. Add pay raises to your savings before you get in the habit of spending the extra money. Use refunds or bonuses for needed large purchases, such as major appliances. You'll also save paying out interest charges.

5. NO PROVISIONS FOR LARGE EXPENSES

We all have large, predictable obligations that come due at irregular intervals during the year. A large, forgotten insurance premium or tax bill can cause financial chaos if you've neglected to accumulate sufficient reserves.

Take all your big items and divide the total by 12. This 1/12th should be reserved every month against the time those bills will be due.

6. UNDERESTIMATING THE COST OF OWNERSHIP

The original cost is sometimes not the only cost of ownership. This is especially true of an automobile. Many of the costs are obvious but some get overlooked until we collide with them, head on. If a car is bought on an instalment basis, monthly payments are just a small part of the cost of operating it. Figure on all the costs. Operating expenses are: gas and oil, repairs, maintenance, tires, insurance.

Other costs include registration, license, parking, tolls, etc. In addition, a new car costing £11,000 depreciates in value by about £2,500 during the first year. While depreciation is not an out-of-pocket cost, it does become one when the car is traded on another one.

7. SPENDING LEAKS

Impulse buying--frittering away small amounts here and there on "little" things--can add up to a surprisingly big amount. Write down every cent you spend for a week and take a good hard look at your spending "leaks." Then try to control these trouble spots.

Avoid shopping for groceries when you are hungry. You'll buy more of those tempting goodies that can run up your bill.

Avoid "killing time" in department stores. (You're sure to come away with something you hadn't planned on buying.) Use an allowance and keep within it. Once you can resist the temptation of spending "small" amounts, you'll have more money for the things you really want.

8. CARELESS SHOPPING HABITS

There are always pressures on us to buy things. Our wants are greater than our needs. And advertisers help exert this pressure. This leads to purchasing things we don't really need and to buying without comparing values and prices.

Before you buy, know the dealer and the store's reputation. Read labels, understand warranties and contracts. Avoid pressure tactics by salespersons.

9. NOT SAVING SMALL AMOUNTS

Don't be discouraged if the amount you can save looks pitifully small. Believe that little acorns do make big oaks. Ten pounds saved every week will be more than £1,000 in less than two years. Does that seem a long time? It will go faster than you can imagine. Remember how quickly the past two years sped by?

10. CAN'T WAIT ATTITUDE

This money management mistake hits young people the hardest. And is the cause of much unhappiness. They often want to start off at a level that it may have taken their parents twenty-five years to reach.

The "lottery lifestyle" as portrayed by movies, television, and magazines, is beyond the financial reach of most families and is never reached by overusing credit.

What is needed is more of a "save now and buy later" approach. Plus, a money management plan to help get the things wanted as soon as possible.