MONEY MATTERS

BAD MONEY HABITS TO KICK

By Jacob Ansel

EVERYONE IS GUILTY OF A BAD HABIT or two. But bad money habits are among the hardest to break. Some studies show that it's easier to lose weight and change eating habits than change the way you spend and save money. When it comes to personal finance, our habits can really make or break us. Unfortunately, many of us have taken on financial habits that end up hurting us. Here are a few financial habits you might consider breaking.

> ***There are plenty of ways you can break your bad money habits. Try to make small changes and before you know it you'll notice a big difference – less debt and more savings – in how you handle your finances. That's what kicking a bad money habit does for you.***

The worst money habit is *buy now, pay later*. You rationalize, '*It's only one small thing. I can afford it.*' You swipe the credit card and repeat again and again. This mentality gets people into trouble. Getting out of credit card debt can be one of the most challenging financial things to do. Always pay with cash or a debit card. Only use a credit card if you pay off the balance monthly.

If you insist on buying now and paying later at least don't just pay minimums. By sticking to the minimum, you'll fork over interest on the balance you're carrying from month to month. Credit cards have notoriously high interest rates. The average American household has $15,355 in credit card debt; if they only paid the minimum each month, it would take as long as 44 years to wipe it out.

The same logic goes for payments on student loans, auto loans, and mortgages. Your first priority is to make sure you're paying the minimum monthly payment on time each month. If you're comfortably doing that, see if you can up your monthly payment which will wipe out the debt faster and incur less interest.

How much money do you save on a weekly or monthly basis? Every working person should save a percentage of his income regardless of how much he makes. The rule of thumb is 10% minimum. Those savings can be in the form of pension contributions, cash in bank, stocks, bonds, or any investment that grows over the long haul.

No one should waste money on bank fees. If your bank charges a fee to deposit money, keep a minimum balance, deposit checks, do wire transfers, or go to an ATM machine then switch banks immediately. A few dollars here and there adds up to several hundred dollars in savings every year.

Don't pay your bills late which incur late fees and additional interest. Set up automatic payments that are deducted from a credit card or bank account. If you can't auto pay, mark your calendar when bills are due and make sure you follow through. Paying late hurts your credit score and incurs higher interest rates on credit cards and other financing.

Another bad habit is buying lunch or coffee every day. We've all heard about the Starbuck's effect – how by investing $4 a day instead of having that cup of coffee adds up to hundreds of thousands of dollars over decades. Sure treating yourself once in a while is fine, but eating out and splurging on coffee daily is a costly endeavor.

It's not smart to regularly look at your portfolio. When you're investing for the long-term, the best thing to do is leave your money alone and let it grow. By peeking at investments every time the market moves, you'll be tempted to move money in and out. Trying to time the market is a fool's errand. There has been no 20-year period going back to 1926 in which you would have lost money by investing in the S&P 500 and reinvesting dividends.

Never spend money reflexively. If you didn't know you needed something before you walked into the store, you probably don't need it. Stick to a list or leave credit cards at home if you often give in to temptation.

Don't put off until tomorrow what you can do today. We all get into the habit of pushing off decisions about life insurance or a 401(k). Time to break that cycle of procrastination. Before another year passes, commit to getting it done.

Not taking advantage of an employer matching your 401(k) is a missed opportunity. This contribution can have a huge impact on the amount you can accumulate for retirement. If you aren't contributing to a matched 401(k), you're essentially declining free money. You should be maxing out your contribution, but if you can't, at least make the bare minimum to get the matching contribution. ❑

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