



WHY ARE SO MANY PEOPLE BROKE?

By Jacob Ansel

THE MOST EFFECTIVE PREDICTOR OF

how long a person will live and how healthy they will be is how much money they have. Poor people die sooner and have more health issues. Even folks who earn a solid middle class wage blow through their money buying unneeded stuff, saving little, and living way beyond their means as they struggle to pay the bills. How do you get to the place where you feel there's no light at the end of the tunnel? How do so many of us end up in this draconian cycle of being broke?

According to the U.S. Census Bureau 13.5% of Americans live in poverty with 20 million people in deep poverty. Lack of education, not enough jobs, overspending, divorce – any number of issues can cause poverty and major financial hardship. But, of course, you don't need to be living in poverty to be broke, to find it impossible to pay the bills, and that's a position most middle class Americans find themselves in today.

Once you're broke it's hard to get out of that cycle. It's impossibly easy to get stuck in a debt trap because you become desperate. Take out a payday loan, debt settlement scam, or just using a credit card for an emergency are all poor decisions made when stressed and they usually keep people broke. That's why it's smart to have an emergency fund. With such a fund you wouldn't have to borrow money at exorbitant interest rates to dig out of a hole.

Bad investments cannot be predicted

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The average family carries more than \$15,000 in credit card debt. Almost half of us, 46%, couldn't come up with \$400 for an emergency. Many Americans are clearly not experts at managing their finances and are broke month after month. The cycle of overspending leaves them poor, even if their income is well above the poverty line.

and sometimes it's hard to know when you're going down a path that'll lead to financial ruin. Before you purchase a piece of real estate make sure you know the market and don't overinvest in stocks and bonds. The best adage to follow for investments is don't put all your eggs in one basket. Any investment that fails should never leave you broke.

When you're broke, stacks of bills and overdue notices can be overwhelming and most folks become ostriches with their hands in the sand. Avoiding your problems and failing to manage your debts only makes things worse. When you're poor or in the middle of a financial hardship, it's understandable that you feel powerless to do anything to change it. But giving in to those feelings of helplessness only hurts you more. Seek accurate, unbiased knowledge and advice to help you get back on track.

A lot of people are broke because they haven't been educated about personal finances. Many don't understand the concept of compound interest working against you when you owe money instead of for you as it does with investments. Read up. Become educated.

We all heard about paying yourself first. Most people don't do that. Paying yourself first means putting a portion of each paycheck into a savings account before divvying up the rest to cover expenses. Broke people don't make savings a priority. When you get paid, make sure you're saving those first few dollars for your future. Do it automatically each pay period and you're more likely to stick with it. You get ahead financially by making savings a priority.

We're a consuming nation and many people are broke because they're spending too much on things they don't need. It's a terrible cycle. Poverty is often generational. You might be poor because your family has always been poor. You've got to figure out ways to course-correct your finances. Lay off the avocado toast and morning joe. There's almost always a cheaper way of doing something, whether it's renegotiating insurance rates, switching banks, or planning a vacation.

You may be spending too much on housing which means it's time to move to a smaller place. So many young people are house poor; they make above-average incomes but spend too much on rent. Housing costs should be under 20% of income, not the 30% to 50% that banks allow.

Most simply, the biggest reason people stay poor is they don't have a plan for their money. Save for retirement on a regular basis, don't spend more than you earn, save for a rainy day, and always have a fund to access in case of trouble. You control your financial destiny. Make smart choices, invest wisely, and always remember to pay yourself before you pay your bills. □