

# DCC Dollars & Sense

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## Top 5 Bad Money Habits

### #1 Not Knowing Exactly Where Your Money is Going

If you have income, and you have bills, you need a budget. Creating a financial plan is one of the keys to ensuring financial balance and competence for you and your loved ones.

Start by making a log of every cent you spend; do this for a full 30 days. This exercise will allow you a clear view of where your money is spent. Then list all of your monthly expenses; everything (utilities, rent/mortgage, beverages at the convenience store, hair cuts, etc.). It's critical that you pay yourself first; this is your savings. If you're not paying yourself first, you probably find that there's no money left over.

Here's how you can start saving: for those of you that are not saving monthly, subtract 5% of your net pay; this will be the beginning of your savings. For those of you that are already saving, make sure that what you're savings equal at least 10% of your monthly net income. Now add your savings to your list of expenses. Write down how much money you actually bring home monthly. Subtract the total of your monthly expenses from the total of your monthly net income. If the figure you get is positive, you have a little wiggle room.

If the figure is negative, you're spending more than you bring in. If this is the case, we need to examine what expenses can be reduced or eliminated. Do not reduce your savings. How much are you paying for cable or satellite? Does that total include extras such as HBO or Cinemax? Consider downsizing to just the basic package. Do you really need a cell phone? And if you do, can your service plan be reduced? How much are you spending per month on coffee, cigarettes, trips to the convenience store, etc.? Can any of these be reduced or eliminated?

### #2 Not Paying Attention to Interest Rates

Take a few moments and look at your credit card and loan bills. Are the rates reasonable? Were they lower at some point, and over time they increased? Maybe the rates are high, and always were. Whatever the scenario, if you have high interest rates, call each creditor and request they lower the rates. If they tell you they can't, *kindly* ask for a manager and make your request with them. If they insist that your rate cannot be lowered, ask them what you need to do to make that a possibility in the future. Follow their advice, and follow up with them later.

Sometimes, increased interest rates

## Top 5 Bad Money Habits Cont.

are overwhelming, and creditors are unwilling to budge. Enrolling in a debt management program could be the solution you're seeking. In short, a debt management program reduces your interest rates so that the money you pay is more effective on diminishing the balance. Paying the minimum amount due on a \$3000 credit card balance that has a interest rate of 20% or higher could easily take 10 years to pay off! Visit us at [www.delraycc.com](http://www.delraycc.com); click on Debt Consolidation, and Debt Management FAQ (frequently asked questions) to get details on how such a program works.

### #3 Mismanaging Credit Card Spending and Payments

Never charge more than half of your credit limit; if your limit is \$1000, for example, don't charge more than \$500. Practicing this habit helps in several areas. It keeps you far from the limit so there's no danger of interest or unexpected fees pushing you over the limit, and in turn causing yet another fee. Another benefit is assisting you in not spending what you don't have. Double negative – doubly bad habit!

Start using your credit cards strategically. Charge purchases that you already have the cash for (upcoming paydays don't count). When you get the bill, pay it in full. This shows creditors that you use credit responsibly, and that you exercise self-control. If you do this, it won't be long before creditors start raising your limits so that you have more credit at your disposal. Don't allow that to become a trap; continue spending only what you have.

### #4 Putting Off Planning for Retirement

We have a tendency to procrastinate when it comes to preparing even for the unex-

pected, let alone the time we know will come, either when we cannot or no longer wish to work. Stop putting it off! A simple and obvious way to prepare would be to contribute to your employer's retirement plan; pay into it at least enough to receive the benefit the maximum percentage your employer will match.

Pay into your IRA regularly; pay into it monthly until you reach the limit.

Don't get attached to investments; diversify and put your eggs in more than one basket. This way you increase the areas for possible growth.

### #5 Not Reading the Fine Print on Disability Insurance

Boring, but you wouldn't think so if you found yourself unable to work for a period of time, and without income as a result. Many employers offer affordable disability insurance plans. Check the details of the coverage; what amount is paid, and for how long. If not provided through your job, find a plan that suits you.

You notice that the constant in all of these bad habits is failure to plan and mismanaging money. We can't mention enough the importance of purposely spending and allotting your income. It will be the difference in your peace of mind now and securing your financial future.