

# Avoiding Financial Mistakes

by

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## **1. Maximize benefits at work**

- 401k contribution & match
- Dependent care deduction
- Medical Reimbursement
- Stock options & bonus programs

## **2. Avoid mortgaging your future to pay for your NOW!**

- Live within your means
- Financing time shorter than item's life
- Investment returns > interest expense
- Pay off credit card debt

## **3. Increase deductibles on insurance**

- \$500 deductible will cost less than \$100 deductible
- Put the premium savings in a money market fund
- Shop policies every 3 to 5 years

## **4. Pay the right amount of taxes**

- Have a say in your tax bill: Plan your tax liability
- Purchase the right size house
- Investment income taxed @ capital gain rates instead of ordinary tax rates

## **5. Avoid being automobile rich**

- Car decreases in value
- Car is a status symbol
- Car is transportation

## **6. Keep 10% of your pay for your future**

- Never too late to start
- Can't do 10%, start with \$50 per month
- Increase every three months until you reach 10% of your pay

## **7. Change limiting money beliefs**

- It is better to have money instead of spending it
- Money is not bad
- I can be paid what I am worth

## **8. Invest only in investments you understand**

- Understand the up and down side risk
- Diversify investments to reduce down side risk
- Estimate cash needs for 5 years

## **9. Get rich quick schemes usually do not work**

- Promised or guaranteed return > 10%
- Driven by big tax savings
- Investment does not make sense
- People avoid answering detailed questions

## **10. Using creativity to reduce expenses can bring happiness**

- Creatively finding a lower cost substitute for the same pleasure or need.
- Only deal with two or three areas a year
- Reward yourself for accomplishing the change
- Increase your skills to get more

## **11. Dream big!**

- Write it down
- Be specific
- Share the dream with family/friends
- Break it down into small steps in order for it not to be overwhelming