TOP 10 FINANCIAL PLANNING MISTAKES

"A GOAL WITHOUT A PLAN IS JUST A WISH."

- ANTOINE DE SAINT-EXUPÉRY

The biggest reason people fail financially is not having a plan. Many people who do plan make mistakes that prevent them from achieving their goals. Here are 10 very common ones:

1. **Waiting too long to start planning** – Many people do not start planning for retirement until they are 5-10 years out. This may put them behind, and they need to save aggressively or retire later. Planning can start at any age but should initially be done at least 20 years ahead of retirement.
2. **Not using a budget** – People who do not budget often overspend. This can prevent proper levels of savings and make it difficult to achieve other financial goals. Monthly budgets work great and ensure that bills are paid on time.
3. **Keeping too much or too little money in the bank** – Having an emergency reserve is important for unforeseen circumstances. There are many rules of thumb, but how much to save is very individualized. Keeping too much in low-interest accounts can hamper planning. Most of your money should work hard for you over time, so maximizing growth is important.
4. **Letting debt get out of control** – Credit card companies entice people with offers of rewards, mileage, 0% intro rates, etc. When you spend more than you can pay back in a month, that can add up and get you into credit card trouble. Make sure if possible to pay credit card balances off monthly, especially revolving cards, such as those for department stores.
5. **Thinking the house must be paid off to retire** – Many people think they need to pay off their house before retiring. This may or may not be the case. The benefit is reducing monthly expenses by not having a mortgage. The detriment is having a very large asset that grows slowly over time. Also, it may be difficult getting equity out of the house during retirement for living expenses without doing a reverse mortgage.
6. **Not taking advantage of tax-deferred to tax-free vehicles** – Making Traditional IRA/401k contributions over time can really help due to the tax benefits. They all grow tax-deferred. There are also potential up-front and future tax benefits to them. People with a 401k match should take advantage of that free money given to them by the company as well.
7. **Not having proper risk management in place** – A death or disability can immediately derail a plan. Life, disability, and long-term care are important to consider depending on future goals and needs. It is also important to have proper property and casualty insurance coverage in place, including an umbrella policy to protect from lawsuits.
8. **Not planning for your estate** – It is extremely important to have the proper documents in place – Will, Power of Attorney, and Living Will/Medical Directive. Not having these could result in your wishes not being met, or the government/courts/attorneys getting more of your money than you would like.
9. **Chasing market returns** – Money should be added to investments when markets are lower rather than when they are doing well. Dollar-cost averaging (buying over time) is great, so market timing does not occur. People want to buy the shiny new stock or cryptocurrency because someone claims they made a lot on it. This is not a good long-term strategy for investing. Creating a diversified portfolio with downside protection is best.
10. **Trying to do it themselves** – Unless people devote all their time to studying markets and planning, they do not have the knowledge that an experienced, credentialed financial advisor has. We add value every day for clients because we have seen many different circumstances and take numerous continuing education courses.

David Hoffmann has 23+ years of experience as a Financial Advisor and is the CEO of Justabout Wealth Management. As a CFP® designee, he counsels clients on financial planning and investments. He also serves companies by providing retirement plans.

For further information, contact David at:
Justabout Wealth Management,
375 Southpointe Blvd, Suite 360,
Canonsburg, PA 15317
Office: 724.754.1440
www.justaboutwealth.com

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