Haunting myths that bring financial fears

Jared M. Elson

Investment Advisor Representative

Regent Wealth Management • 1295 E. Dunne Ave., Suite 200, Morgan Hill • (877) 457-4567 • www.regentwm.com

October is the month in which goblins, ghosts and other frightening things are thematic for all 31 days, closing the month with Halloween. As a retirement planner, I would like to share with clients and readers some financial myths that, if you are tricked into elieving them, can haunt you for a long time.

Myth #1: A small amount of debt is no big deal

Debt of any size is a big deal. Yes, credit cards and loans are useful for paying for essentials like buying a home or car, paying tuition and buying required materials for your career or education – but remember, borrowed money is still money that you eventually need to pay back.

For those not as disciplined in managing their finances, debt can be a slippery slope, and could potentially haunt you, as paying just the minimum on a credit card may keep you in debt for what feels like forever. Missing or being late with payments can damage your credit. When it's time for you, if you are able, to take out a loan or a mortgage, you'll end up paying a significantly higher interest rate than folks with excellent credit.

Myth #2: When I make more money I will begin saving

While many people believe they will start saving when they make more money, without the proper discipline learned from saving when income is low, it is even more difficult to get into the habit of saving when income increases. Ask a retirement planner when a good time to start saving is, and most of us will answer, "yesterday." So, no matter the size of your paycheck, not enough can be said about the value of beginning to save once you start working.

The operating principle here is that learning money management skills takes time and effort. The sooner you start learning financial management for yourself and the power of compound interest, the more likely you are to determine and begin working towards meeting your financial goals.

Myth #3: I have enough money to buy this

That may be true, but just because you can do something does not mean you should and this is especially true for financial matters. Imagine you want to buy a great outfit for going out on the weekend. It's expensive but technically you can swing it on a single paycheck – even though you won't have enough cash for gas (and will have to use a credit card to buy it) for two weeks. Seems that a better solution is to save up for the outfit before actually buying it.

While we all love to have nice things, exercising a bit of impulse control and learning to budget can help uncover a path to getting the things you want without getting into financial trouble.

Myth #4: I don't need a budget

We used to say you don't need health insurance either, but not having it is a poor financial decision that can lead to fines under new insurance laws for not having it, ears of payments for services not covered or even bankruptcy.

Knowing how much you need to live your lifestyle along with knowing your monthly financial obligations is important. Determining a budget and saving for the things you want is the first financial tool to use when starting out.

This material is intended to provide general financial information and is not written or intended as tax or legal advice. Individuals should seek advice from their own tax or legal counsel for their particular situation. Investment Advisory Services offered through Global Financial Private Capital, LLC, and an SEC Registered Investment Advisor. Jared Elson and Global Financial Private Capital, LLC do not provide tax or legal advice.