



The Most Common Financial Mistakes

There are many facets to sound personal money management. With April designated as Financial Literacy Month, what an opportune time to take a good look at your financial situation. How good are you at managing your money? Are you living paycheck to paycheck? Do you have a savings account, and how is your credit? You've seen several monthly articles here about the importance of setting a budget, staying on top of debt, and establishing an emergency savings fund. After all my information about what to do, here is a look at what NOT to do, some of the most common financial mistakes I routinely see.

These mistakes may be able to actually help change your behavior. Steering clear of them can be the key to financial security.

- **Spending that is unnecessary.** Savings are depleted one dollar at a time. That cappuccino or dinner out or pay-per-view movie may not seem like much, but it all adds up. If you spend \$25 per week on fast food, that's \$1,300 per year that could be used to make an extra credit card payment or car payment.
- **Payments that never end.** Do you really need never-ending payments for TV and music services or gym memberships? Trimming these expenses can go right to your savings fund to cushion you from any financial hardship.
- **Borrowing money for everyday expenses.** Using credit cards to buy essentials is pretty common today. But think about this: you are paying double-digit interest rates on gas, groceries, and other perishable items that will be gone by the time you get your credit card statement.
- **Living paycheck to paycheck.** This one is probably the most common. I've seen all kinds of unforeseen emergencies turn into financial disasters for those who are not prepared. Even missing one paycheck can be crucial. Add in the current cost of inflation and it can be devastating to live without back-up savings.
- **Spending too much on your home.** A home purchase is one of the most important—and long-term—decisions you will make in your life. Bigger is not always better: more square feet will bring more property taxes, maintenance, and utilities.
- **Using Home Equity as a source of funds.** Refinancing and taking cash out means you are giving ownership to someone else. It may make sense if you are lowering your interest rate or paying off high interest debt but be cautious not to overuse the equity you have worked hard to build.
- **Not investing in retirement.** Money placed in retirement accounts works for you while you are working. Without saving for retirement, you may never be able to stop working. Not participating in employer sponsored plans is leaving money on the table.

- **Not having a “Plan.”** It’s funny how many hours we spend watching TV and scrolling through social media yet many of us are not able to set aside an hour a week to work on personal finances. How else will you know where you are going in your financial journey and how you are progressing toward your goals?

As community bankers, all of us here at Anahuac National Bank want to help you take steps to make your life better. I am committed to steering you away from over-spending and adding additional debt. I will always encourage you to maintain some type of emergency savings fund, save for retirement, and develop your own financial plan. Let us know how we can help, problem solving is one of our specialties. We thank you for banking with us.

