

USA Today

October 25, 2019

5 bad money habits you're probably guilty of and how to break them

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<https://www.msn.com/en-us/money/personalfinance/5-bad-money-habits-youre-probably-guilty-of-and-how-to-break-them/ar-AAJh8ax?li=BBnbfcN>

The occasional splurge won't sink you financially, but small missteps can quickly develop into bad money habits that could wreck your finances.

With holiday shopping and expenses looming, now is a good time to develop better money habits. Americans are gearing up to spend a record amount of money this holiday season — [The National Retail Federation](#) predicted sales will rise between 3.8% to 4.2% above 2018 to a total of between \$727.9 billion and \$730.7 billion.

Here are five common money mistakes you might be making and some strategies to help rein in the flawed financial habits that are hurting your wallet.

Undisciplined saving

Not saving enough is the top financial stressor for millennials, a 2018 Bank of America study found. Josh Strange, the founder of Good Life Financial Advisors of Northern Virginia, said one of the most common money mistakes he encounters is that people aren't saving money properly.

People often don't meet their savings goals because they don't set aside money immediately after payday, Strange said.

"If you don't pay yourself first you just don't get in the habit of doing it," Strange said. "It becomes 'Well, I'll save it if I have it.'"

Set up an automatic transfer so that part of your paycheck moves from your checking account to a high interest savings account each month, said Galia Gichon, the founder of Down-to-Earth Finance, a consulting group.

Gichon also recommends setting up different savings accounts for different savings goals to avoid dipping into your emergency savings just to cover a big vacation. Even if you're only saving \$50 each month, Gichon said establishing good habits is the first step.

"It's not always about the money, it's about our habits," Gichon said. "There's no question that the people that save automatically save more, without a doubt."

Wasteful spending

Strange said he often encounters clients who are living beyond their means and amassing consumer debt. The average American adult spends \$1,497 a month on nonessential items which can add up to nearly \$18,000 a year, according to research commissioned by life insurance company Ladder and conducted by OnePoll.

Wasteful spending can become an even bigger issue around the holiday season, Strange said.

"The holidays can be extremely stressful because people overspend to give people things that they may not want or need because they feel this obligation to give a gift," he said.

One of the first moves Strange makes, to tackle a client's wasteful spending, is identifying variable expenses that they can cut down or eliminate completely.

"It might mean not going out to eat as much, canceling a personal service," Strange said.. "We look at whether or not those are things we can afford, and if they are, is it wise to put those on credit cards?"

Gichon suggested making a change like canceling your gym membership or not going out to eat for one month to see tangible results immediately.

"You see a change right away which makes you feel good about what you're doing," she said. "It might not be a long-term solution, but it makes you feel like you're headed in the right direction."

Not paying off debt

Americans owe more than \$4 trillion in consumer debt, according to the Federal Reserve. If you've racked up a lot of credit card debt, Strange and **Deborah Badillo, a financial planner at The Lubitz Financial Group in Miami**, both recommended shopping around for interest rates and transferring the balance to a lower interest card, ideally 0% APR.

"Consumers forget to shop around for the best rates to make sure their money is working for them," **Badillo** said.

Strange suggested paying off the cards with the highest balance and highest interest rates first and working your way down.

If his clients can only afford to pay the minimum payment on their credit cards, Strange recommends getting rid of them altogether.

Not planning for retirement early enough

Both Strange and **Badillo** said younger clients often don't start saving for retirement early enough. About 25% of non-retired adults say they have nothing saved, according to the Fed.

Badillo emphasized how important it is to take advantage of employee benefits like 401(k) match programs if they are available to you. Retirement accounts allow you to save a portion of your paycheck before taxes, and many employers will match part of your contribution.

"Make sure that you take advantage of those programs especially if there's a match, because [if you don't] then you're just leaving free money on the table," **Badillo** said.

Badillo also said it's important that younger clients start an IRA or Individual Retirement Account because starting earlier gives your savings more time to grow thanks to compound interest.

Ignoring money problems

Money is often cited as the No. 1 source of stress for Americans, and Strange, Gichon and **Badillo** all cautioned that ignoring money problems only makes them worse. Gichon noted that clients often spend more consciously when they pay with cash but using credit cards can make it easier to lose track or ignore how much you're spending.

"I think when money worries start to escalate, we bury our heads in the sand," Gichon said.

She suggested people stick to using one or two credit cards, and to check their balances every day. Strange said he often sees clients fail to pay huge credit card bills because they don't want to empty out their savings.

"It's like this mental roadblock," he said.

The key to getting over financial anxiety is finding what motivates you to accomplish your goals, whether that be paying off debt or saving a certain amount, **Badillo** said, emphasizing that it's important to take baby steps.

"We tend to trip if we do something too big, too drastic," she said. "You're going to have setbacks and it takes a while to develop a healthy habit of being financially sound and checking your money."

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