Ten Money Making Mistakes You Need To Stop Making

When it comes to being successful and making huge personal financial gains, there's only one rule: Spend less, save more, and invest the rest. If this simple rule is at the core of whatever financial plan you follow, then you're more than likely to prosper financially.

However, life isn't always puppies and rainbows, and because we're humans, we're bound to make some mistakes with our money. Here are some of the money making mistakes you need to stop making:



1. Lacking an **Emergency Fund**

Whenever unexpected financial problems pop up, your emergency fund is usually your first line of defense. Every independent individual knows how easy it is for financial problems to pop up. Your car could need repairing, the kids might need braces, the washing machine broke down, the list goes on, and each of them coming up when you least expect it. Like it or not, this is a part of life.

When these situations arise, and you don't have an emergency fund, you'll end up having to borrow, and that's an entire money mistake on its own. So if you're thinking of creating an emergency fund, how much should you save? A good rule to follow is to save up six months of living expenses. Additionally, your emergency fund should be kept in a safe place – somewhere easily accessible when you need. Don't worry about

trying to multiply or earn more on it, just ensure that it's in a safe and accessible place.

2. Ignoring the need for a will

A report on money magazine showed that about 57% of Americans are yet to pen down a will. These statistics include 69% of parents having kids under 18. If something were to happen to you and you don't have a will, then the state gets to decide what happens to your finances and your kids. Is that really something you want?

A smart way of avoiding this money mistake is to get a will as well as other documents that can account for proper estate planning such as Medical Records Release Documents and Patient Advocate for most people. Also, make sure that they are regularly updated as the situation in your life changes.

3. Not buying enough insurance.

Insurance is one of those big emergency funds that can supplement your cash emergency funds. Insurance covers those things you can't save enough to cover in advance. It also helps to protect and replace the largest assets you have such as your home, your investments and your career in case of any significant death, injury, or accident.

Some insurance coverage you should consider are:

- Life
- Health
- Auto
- Homeowner or Renters
- Long-term Disability
- Umbrella

Another piece of advice worth considering, you don't have to go overboard and get over insured. A misfortune does not need to lead to someone winning the lottery. Your family doesn't need a $10 million life insurance policy on you. If you have life insurance and don't makeup to $1 million annually, then chances are you're spending

too much on life insurance. The key is to get a balanced view of your life and assets and pay for only what you really need.

4. Getting married to the wrong partner

Your choice of a marriage partner can actually be a money mistake especially if; you're getting divorced, or you marry a reckless spender. Homes where both partners know the value of and how to apply financial basics pan out better than homes where one or even both spouses have terrible financial habits.

If you and your spouse are on the frugal side yet your household generates an above average income, then what you have is the foundation for becoming wealthy and also maintaining the wealth. If you or your spouse are reckless spenders, then it becomes tough for you to accumulate wealth. If the household is divided in its financial orientation, then it is highly unlikely for any accumulation of significant wealth to occur.

Also, divorce also acts as a major drain on the finances of any couple. Research in the Journal of Sociology showed that divorced couples usually saw their wealth shrink by as much as 77% - a decline that is much larger than what you'll have if the couples had simply split their assets in half.

Try as much as possible to discuss your finances before marriage to make sure you're compatible as a couple. You should also make financial decisions as a couple, and once you're married, stay married.

5. Forgetting to save

At the beginning of this article, I highlighted a simple formula for financial prosperity, that is, spending less than you earn and keeping at it long term. If you follow this simple formula, there's a higher chance of you becoming wealthy because by spending less than you earn, you'll be saving money.

However, if you have no savings or are not saving, then you're not making any financial progress. And it'll be harder to catch up later the longer you wait to save. You should try as much as possible to keep a good portion of every one of your paycheck. Here's a good rule of thumb that you can subscribe to; save at least 10% of your income and as time goes, gradually increase the amount.

Some people may wonder what it is they're saving for. Well, any significant expenses that may come up in the future really, from college costs for your kids, retirement, a house, a car, and anything else that can come up.

6. Spending too much on a house

If you have aspirations to be wealthy one day, then you don't want to purchase a home with a mortgage that is two times the annual realized income of the household.

7. Not investing early enough

Three factors usually determine the performance of your investments. These are:

- The amount that you invested
- The returns rate on your investment option and
- The length of time you invested

Most of the time, we're bombarded with information from the press that deals with getting the best return on your investment. In reality, the factor that has the most influence on the value of your investment is the length of time you invest your money. So when you wait a long time before saving up to invest, you actually cost yourself money.

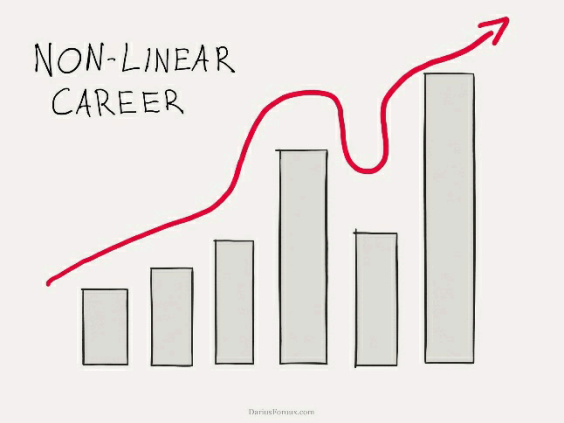
8. Owing a large amount of debt

A report in AARP noted that the average American will now pay more than $600,000 in interest over a lifetime. That's just an example of how costly debt is and how it can cost you up to hundreds of thousands of dollars.

There's a simple solution to this money mistake;

- Find steps to get out of debt if you're in debt
- And if you're not in debt, then don't get in debt.

9. Not working to get the best from your career



One of your most valuable financial assets is your career. The reason for this is because the average American is expected to earn the ballpark figure of $2 million during his lifetime. But if that individual is willing to work hard and grow his income by as much as 8% per year, then they could have $3 million more than the lifetime average earning. If the individual is unwilling to work hard, then that $2 million can dry up to $1 million or less. So not putting in your best in your career can cost you millions of dollars.

The simplest way to avoid making this mistake, you'll need to develop and execute a plan that will allow you to get the best out of your career. Some other mistakes you want to avoid that can derail your income, and your career includes:

- Quitting your job when you don't have another job lined up. While it may be challenging and stressful in your current job, not having enough food to eat is far worse.
- Forgetting to take care of yourself physically. The earning potential of your career depends on you being able to work, and as such you need to eat well, get adequate rest, exercise and most of all enjoy life.

10. Spending too much

When your outflow is greater than your income, then your downfall will be upkeep. The step in gaining wealth is learning to spend less than you earn. This is vital for anyone wanting to make any financial progress. So anytime you over-spend, you’re doing a serious amount of damage to your finances.

Two types of overspending that can and will likely ruin your finances include:

- Overspending on the smallest of things. This little amounts that always seep out of your pockets here and there eventually add up and become significant.
- Overspending on the big things. When you spend more than you earn on things like cars, homes, cottages, and boats, it will affect your finances.

The number one complaint you hear from people with an unbalanced budget is that they're not earning enough money. In most cases, more than 95%, it's not that they're not making enough, it's that they're overspending. It is, however, true that in some cases the person may not be making enough income to save and invest. If that is the case, then what these individuals need to concentrate on is ways to increase their income alongside learning how to control their overspending.