

# Money Matters: Avoiding financial pitfalls

By Nic Abelow

Money. It's hard to get and easy to lose. It doesn't take long for the wealth you've accumulated to disappear if you don't manage your money well or have a plan to protect your assets from sudden calamity.



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Snarens like the ones mentioned below could easily threaten your financial security. Planning ahead can protect you and your loved ones from getting caught.

## **Undisciplined spending**

The more you have, the more you spend – or so the saying goes. But not paying close attention to your cash flow may prevent you from saving enough money for your future. Manage your income by creating a spending plan that includes saving and investing a portion of your pay. Your financial professional can help identify planning strategies that will maximize your savings and minimize your taxes.

## **High debt**

With the easy availability of credit, it isn't hard to understand how many people rack up high credit card balances and other debt. Short-term debt will become long-term debt if

you're paying only the minimum amount toward your balances. If you can't pay off your credit card debt all at once, consider transferring the balances to a card with a lower interest rate.

### **Unprotected assets**

Your life, your property, and your ability to work should all be protected. Life insurance can provide income for your family if you die. Homeowners and automobile insurance can help protect you if your home or car is damaged or destroyed and provide liability coverage if someone is injured. Disability insurance can protect your income if you're unable to work.

### **Unmanaged inheritance**

A financial windfall is great, but it also can be dangerous. Without solid advice on managing and investing the money, you could find that your inheritance is gone in a much shorter time than you would have thought possible. Your financial professional can help you come up with a plan for managing your wealth. Setting aside a portion of the money to spend on a trip or other luxury while investing the rest may be one way to reward yourself and still preserve the bulk of your assets.

### **Neglected investments**

Reviewing your investments to make sure they're performing as you expected – and making changes in your portfolio if they're not – is essential. But it's also essential to periodically review your investment strategy. You may find that your tolerance for risk has changed over time. You'll also want to assess the tax implications of any changes you plan to make to help minimize their impact.

### **Retirement shortfall**

If you're not contributing the maximum amount to your

employer's retirement savings plan, you're giving up the benefits of pretax contributions and potential tax-deferred growth. Maximizing your plan contributions can start you on your way to a comfortable retirement – hopefully with no traps along the route.

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