10 MONEY MISTAKES TO STAY CLEAR OF NOW

Overcome financial worries **without falling into these traps**

BY **BETH BRAVERMAN**

As you contend with a scary and unpredictable economy, no doubt you're considering different strategies to protect yourself. Unfortunately, some of the most sensible-looking solutions to current problems can actually end up costing you money and hurting you in the long run. Here's a look at some financial missteps that might be on your mind—and some smarter choices to make instead.

YOU THINK: The price of gas has gone through the roof! I'll save myself 12 cents a gallon by going to that gas station across town.

BUT REMEMBER: If your car needs 15 gallons, that means a savings of $1.80. How much of your time or travel costs warrant that level of savings? Very little, most likely. "Instead, pay attention to your fuel tank and plan your errands wisely, so that you can fill up on the cheaper gas when you're already near the station," says budgeting specialist Andrea Woroch. "I also like using those mobile phone apps that can show you cheaper gas stations along your route, so you may not have to drive too far out of your way."

YOU THINK: Paying a credit card late fee would add insult to injury right now. If I put my card on autopay, I can set it and forget it.

BUT REMEMBER: You still need to check each monthly statement for discrepancies and possible fraud, and to spot spending patterns that warrant second thoughts. ("Am I *really* spending $100 a month on fast-food lunches?") "Autopay is phenomenal," says Gary Schatsky, founder of ObjectiveAdvice.com in New York City. "You're using one less 58-cent stamp a month, plus there's the uncertainty the check will get there, and the time it takes to write out the thing," he says. "But it doesn't mean you can abdicate your responsibility to follow your finances."

YOU THINK: My nephew needs extra-special help getting launched in this environment. So, sure, I'll cosign his car loan.

BUT REMEMBER: From the lender's perspective, cosigning a loan is the same as taking one out on your own. You're on the hook for payments if your cosigner does not make them, and the loan will appear on your credit report. You're also setting the wrong precedent, says Dan Keady, a Charlotte, North Carolina-based chief financial planning strategist for the financial services firm TIAA. "You're creating this idea that you're always going to be there financially," he says. "You have to be careful not to make that a habit."

YOU THINK: Stocks went up during the pandemic, and my IRA did surprisingly well. I can pull some money out to fix the roof.

BUT REMEMBER: Money taken out of your retirement accounts when you're younger doesn't get the benefit of compound growth over time, and that's the magic pixie dust of retirement savings—letting it grow continuously over many years. Plus, if you're not yet 59½, you may owe not only taxes, but also a 10 percent penalty for the early withdrawal, making it an even more expensive proposition. Likewise, be careful about spending too much of your IRA in the early years of retirement—a common mistake, as many people want to live big immediately after leaving the workforce, says Matt Goren, director of the certified financial planner (CFP) program at the American College of Financial Services. "That's like getting really bad returns [on your investments] early on," he says. "You have a much higher chance of your portfolio underperforming and you running out of money later in life."

YOU THINK: In the worst of the pandemic, people with college degrees had way more job security than high school grads. I'll do whatever it takes to get my kids (or grandkids) through the best schools.

BUT REMEMBER: Taking on student loans on behalf of your children can seriously hurt your own financial security. A NerdWallet survey found that among parents who took out federal PLUS loans to help their children pay for college, nearly a third later regretted doing so. Goren suggests parents look at other ways to help their children afford college, such as letting the children take loans in their own names or suggesting that they start at a community college. "There are so many other ways to pay for school that do not put your own retirement in jeopardy," he says.

YOU THINK: I've survived a few waves of COVID and I have my booster. So the will can wait. I don't plan on dying anytime soon.

BUT REMEMBER: *Nobody* thinks they're going to die soon ... but sadly, it keeps happening that people's hunches turn out to be wrong. While thinking about your own death may not be your idea of fun, having a proper estate plan in place will spare your loved ones enormous cost and hassle after you're gone. In addition, it can ensure that your wealth and possessions are distributed as you wish.

Along with getting all your documents (such as a will, power of attorney and a living will) in order, you'll want to discuss your plans with your heirs. "Talk about who's the keeper of the information and where the important documents are," Schatsky says.

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YOU THINK: My daughter had to put off getting married for two years. It's time to give her the wedding she's always dreamed of.

BUT REMEMBER: The average cost of a wedding in 2019 (the last full year before the pandemic) was $28,000, according to The Knot. Spending that much or more for a one-day event can have a huge impact on your long-term finances. If you haven't planned for that large an outlay, take the time to get an accurate picture of what you can contribute. "If you can't afford it or it's going to hurt your retirement, you may just have to cut the total cost," Keady says. The sooner your child knows what you can or can't provide for that special day, the better.

YOU THINK: I've learned how important it is to be with my family, and this vacation has been fabulous! I think I'll buy a time-share here.

BUT REMEMBER: Your vacation preferences may change over time. Your financial situation can easily change. Time-shares can be difficult and expensive to shed. In that light, taking on what can be a continuing financial obligation that lasts a lifetime can be the worst kind of impulse purchase.

"Everyone loves a time-share, but the problem is that it can be hard to get out of," says Tim McGrath, a managing partner with Riverpoint Wealth Management. "We see so many clients who bought a time-share but wish that they hadn't."

YOU THINK: It's been a rough year for everybody, and this seems like a decent charity. Here's $50.

BUT REMEMBER: Impulsively giving to one charity after another could lead to you to donating more of your cash than you can spare. A smarter approach is to have a well-planned strategy for your charitable giving, says Jatrice Martel Gaiter, executive vice president of external affairs with Volunteers of America. Determine how much you want to give in total over the coming year, then research organizations, using sites like Charity Navigator and Give.org, to find one that fits your values and makes efficient use of its donations. Focus on giving a few high-value donations rather than many lower-value contributions, suggests Martel Gaiter; that's the best way to create meaningful change, she says.

YOU THINK: It's on sale, and I keep reading about stores running out of everything. I'll get a dozen!

BUT REMEMBER: If you're purchasing items that you wouldn't otherwise buy, you're not actually saving money—no matter how good the price might be. And if you're buying quantities you don't really need (think a case of food from a warehouse store), you may end up sick of what you've bought as well. "Ask yourself if you would buy the item even if it wasn't on sale," advises Woroch, the budgeting specialist. "If the answer is no, then walk away." ■

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