



# Three Mistakes That People Make with Their Money

By Dr. Linda Hancock

## ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled “All Psyched Up” for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of “Life is An Adventure...every step of the way” and “Open for Business Success” is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email [office@drlindahancock.com](mailto:office@drlindahancock.com)

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I think I've heard it all when it comes to money. When people state that they are unhappy with their financial situation, I know that their problems likely fall into one or all three of the following categories.

- 1. SPENDING TOO MUCH** - When I grew up, we touched money - real money. If we didn't have coins in our pocket we just didn't spend. We didn't have Lines of Credit, credit cards or Overdraft Protection. Cash was all we knew.

Often people buy things they don't need with money they don't have to impress people they don't even like. They renovate - not based on need but on want. After purchasing a house that is at the top of their credit limit, they add the toys (boats, quads, campers, vehicles) and then they book trips to "get away from it all". All of this compounds the problem.

The "secret" to financial health is to spend less than you earn. This might mean not adding to your wardrobe until you absolutely need to do so. You may need to eat at home more and pack a lunch. Shopping is a trap you will need to avoid as it just tempts you to buy more. And remember, you don't have to try to keep up with the Jones'. Living on less will give you a freedom that the Jones family likely doesn't possess.

- 2. NOT KEEPING TRACK OF FINANCIAL MATTERS** - When you do not know how much debt you have or when your bills are due, you are at risk of overspending, losing a good credit score, and paying excessive penalties and interest. Even being one day late on a credit card payment can result in a large late payment charge and increase your interest rate by several points. Delinquency is reported to the *Credit Bureau* and this can affect all future attempts at borrowing.

In order to improve your situation and gain control of your financial life you will need to begin by getting honest with yourself. Start with four blank sheets of paper.

On one write "Assets" and list all of the items that you own or are buying through payments (house, vehicles, savings accounts, investments). Beside each put the value of the asset and then put the total of all at the bottom of the page.

On the second sheet write "Liabilities/Debts" and list all of the amounts that you owe to others. Also record the interest rate, due date and amount of the payments you are responsible for making for each item. At the bottom of the page write the total amount owed and the total amount for the payments required each month.

On the third page write "Income" and list all sources that make up your total household income each month (include rental properties, interest earned, part-time work).

On the fourth page write "Expenses" and list all the things that you pay each month (utilities, food, clothing). Don't forget to add the total monthly payments that you listed as "Liabilities/Debts".

Now that you have everything listed you will be able to do a proper assessment of your situation.

- 3. NOT HAVING A PLAN** - There's an old expression that says "People who fail to plan, plan to fail". You may have to sell some assets to lower your debt or find a part-time job to increase your income. Perhaps your credit card company will reduce your interest rate if you call them and make a commitment to pay a specific amount towards your balance on a regular basis.

One of the first things you will need to do in order to get back on track is cut back on your expenses. There are many creative ways to do this. For example, instead of buying a \$5.00 coffee every morning, make a pot at home and carry it in a travel mug. This will save \$100 per month which can be used towards debt. The result is that your balance is reduced and the interest charged the following month will be reduced.

You will likely be able to turn things around rather quickly once you have a good plan in place.

When it comes to finances, a few small changes can make a huge difference and, over time, you can go from feeling overwhelmed to being in a strong position where you will be in control of your situation. If you need help with this, do not hesitate to contact a psychologist who is trained in problem-solving. The sooner you book an appointment, the sooner you will be headed towards achieving financial well-being.