6 Bad Financial Habits You Have To Break

Learn To Handle Your Money Wisely

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This report is rather different than my past ones, since it focuses more on your general finances than it does directly on your business – but the principles certainly apply!

Let's face it. The "American Dream" tells you that hard work and intelligence are enough to achieve your financial dreams and make all of the money you could ever want. After years of unrelentingly bad economic news, though, it gets tougher and tougher for many people to believe in that dream.

Is the real truth that wealth is something you have to be born into? No! It certainly wasn't for me. I came from a humble background. My family was on government assistance because my dad got laid off from his "good job" at a major refinery in southeast Texas. We were broke, very broke, for a long time.

Financial security doesn't require rich parents, or owning a prosperous start-up business, or relentless dedication to your career. To be honest, none of those things hurt your chances, really, but they are absolutely not prerequisites for a healthy financial position.

What is required is to break some very common bad financial habits. This report will focus in on those. As you get more successful in your online business, keep these tips in mind when considering how to use your money to the best effect.

CONTROL IS THE REAL SECRET

Jaime Tardy is a celebrated business coach who's recently written a book called The Eventual Millionaire. By interviewing scores of wealthy, successful individuals, Tardy zeroed in on the common features that are strongly correlated with creating and enhancing wealth. Making smart financial decisions is a matter of having a sensible attitude towards money and of building intelligent spending habits. Wealth comes to those who seek to control money rather than those who let it control them.

Based on her interviews, Tardy says that successful people are those that have invested the necessary time in learning how to handle money intelligently. This puts them in control of their financial destiny. Without a thorough understanding of the real workings of the financial world, it's practically impossible to set realistic goals and make progress towards them.

Drifting without good goals or plans to achieve them is how you burn through money and land in financial hot water. You can reverse any misfortunes you've experienced, though; it's just a matter of learning the right habits and getting rid of bad ones.

Below you'll find serious financial mistakes that are, sadly, all too common. While lots of people are stuck in these habits, they're extremely rare among successful and prosperous individuals. Learn to avoid them yourself and you'll be well on your way to taking the kind of financial control you need to start accumulating real wealth.

MISTAKE #1 : DENYING YOUR FISCAL REALITY

A lot of people claim to be bad at math. "I'm terrible with numbers," you might say to your friends and yourself. This might be a systemic educational problem, but it's a very real issue for you if you use a distaste for numbers to avoid giving your finances the attention they require. Do you think successful people with enormous financial assets racked them up by dodging numbers whenever they could?

Tardy has plenty to say in her book about the necessity of facing your financial realities. When you don't pay attention to your money, it will slip away as if by magic. Piling up huge debts, neglecting your retirement, and making foolish investment decisions -- these risks are all too likely when you refuse to face your financial facts.

Cultivating a thorough understanding of money is a long, involved process, Tardy says. No initial position in life grants you a magical understanding of finances. Successful and wealthy people invest a huge amount of time in learning the ropes. Procrastination won't help; if you continue to neglect your financial situation it'll only get worse. There's never going to be an ideal time to start fixing your finances, but sooner is always preferable to later.

Assuming you're starting from a blank slate, basic budgeting is your first concern. You need to learn how much money you have coming in every month and how much is going out. Finding the real ebb and flow of your money is critical if you're going to get an accurate picture of your overall financial state and determine whether it's improving or worsening. The sooner you get a clear overall picture, the sooner you can start making better financial decisions.

If you've got a decent grasp on your day-to-day finances but have been neglecting your investment situation, it's high time you started educating yourself. Whether you have the resources to hire a professional adviser or attend seminars or have to make do with independent online research, you have to start learning. According to Tardy, the only bit of preparation you really need is verifying that you're getting your information from a reliable source. You should make sure you're learning from a good role model, not a charlatan.

MISTAKE #2 : SPENDING MORE THAN YOU CAN REALLY AFFORD

Thanks to the consumption-crazy attitude of our society, your image of wealth is probably tied up with luxurious goods, exotic vacations, and fairy-tale mansions. When you get eye-to-eye with real wealthy people, though, (as Tardy has) you don't run into a lot of crazy excess.

Deciding what to buy is a cut-and-dried logical problem for millionaires. They always have a realistic idea of their current assets and a long-term plan for their wealth. It's not spending fantastic sums that makes someone successful, it's accumulating them intelligently in the first place.

t's perfectly normal to get frustrated with amount of advice you get that really just boils down to "set a budget and stick with it." The problem is, that is truly the long and short of smart financial habits, especially when you're just starting out. After you've gotten a clear picture of how your money is flowing, the next step is learning to take control of the outward flow of wealth.

Tardy recommends making the budgeting process into a game to get the hang of it. Try challenging yourself to minimizing your spending in one area next month, or even cutting items out of your budget completely. You may be surprised to discover what supposed necessities you can actually live without. A little experimentation is important so that you can figure out what motivational factors work to help you stick to your financial plans.

MISTAKE #3 : FAILING TO ADJUST YOUR FINANCES WHEN YOUR CIRCUMSTANCES CHANGE

This isn't about cutting back on spending if you lose a source of income. There are many important events in your life that can be either traumatic or joyous -- things like getting married, getting divorced, or losing a parent. Finances are often the last thing on your mind in situations like these. The problem here is that you'll severely hurt your overall financial position if you fail to consider the financial implications of major life changes.

Virtually every major transition in your life carries important financial consequences with it. This is the verdict levied by financial planner Pete Bush. Bush works with the Baton Rouge (LA) firm Horizon Wealth Management, and he frequently has to remind clients to take the financial angles into account when their life goes through an upheaval.

You must carve out the time to research those financial implications whenever your life goes through a major change. You may need to combine or divide finances when your relationship status changes, update your will, or make a plan for safeguarding an inheritance. Bush encourages his clients to think of their finances in sports terms. Every good coach hits the field with a clear plan for winning. What happens when three star players get injured, though? The original plan isn't useful any more, and it's time to change strategies.

Of course, most major life shifts have a lot of implications beyond financial ones. You need to deal with all of the fallout from unexpected (or pre-meditated) changes, including the financial issues. Financial adjustments are rarely urgent -- you can safely postpone them while you deal with other matters -- but they can't be neglected forever.

MISTAKE #4 : YOU LET FEES CHIP AWAY AT YOUR WEALTH

Even if you're as careful as you can possibly be with your money, you may break your budget and splurge on occasion. When you saw the latest iPad on sale, you just couldn't resist. That's all well and good, and you at least get a nifty gadget in exchange for your money. What about money that you spend on late payment penalties or overdraft fees? How enjoyable is it to spend money that way?

Listen to David Bach, the author of "Smart Women Finish Rich." He says the principle that separates the wealthy from their less-resourceful peers is that they don't let their money slip away from them without delivering something of value in exchange. Put it simply: They have a phobia about wasting money. They don't use credit cards that charge high interest rates, let bills go unpaid, or gamble on whether or not they have funds in their account to cover an unplanned transaction.

You can take advantage of some resources that weren't available to previous generations to stop wasting money. Automate wherever you can. Set up automatic bill payment procedures to ensure that you stop running into late fees.

All of your predictable monthly expenses (e.g. mortgages, insurance, credit cards, etc.) should all be on automatic payment schedules, according to Bach. Late fees add up fast, robbing you of money you could put to use.

You shouldn't assume automation is foolproof, though. Most wealthy people review their banks statements regularly. You'll be surprised at the number of mistakes that crop up, even in today's highly-automated financial world.

Mistake #5 : You Think Saving More Is The Only Answer

Once you start paying close attention to your finances, your first impulse is probably to try and scrimp and save whenever possible. Not so fast! The path to wealth isn't found by forgoing your Netflix subscription and trying to live without air conditioning.

It's already been mentioned that wealthy, successful individuals have well-defined financial goals. They don't pursue them by simply limiting their expenditures, though. Generating more income is a lot more useful to quickly achieving monetary goals. Savings have definite limits, Tardy notes, but earnings don't. Learning to hang onto more of your paycheck is great, but you'll go much further if you make an effort to increase the size of that check.

Take a hard look at the amount of money you're currently making. If you know you're delivering quality work and making sales, it may be time to seriously consider raising your prices.

Be sure to bend your financial education towards effective means of increasing your income. Weigh the relative merits of scrimping versus earning more. Yes, you may save some dollars by clipping coupons for an hour on Saturday. What about putting that hour into earning money from your online business instead? Even if it's not what you really want to do (perhaps selling your products), but something that you can do (like promoting your article writing service), that extra income will amount to more than you can save with those coupons.

According to Bush, the easiest way to maximize your income is to make an honest assessment of your strengths and then find ways to put them to work for people who will appreciate them and compensate you fairly for them.

Mistake #6 : You Shop With An Eye On The Bottom Line Instead Of Quality

Frugality isn't necessarily a good thing. If you buy a cheap knockoff bag for fifty dollars, it feels great to have avoided spending two hundred dollars on a pricier alternative. How are you going to feel when that bag falls apart four months down the road? It's all too easy to be penny-wise and pound-foolish in your purchasing habits.

As Bush says, the wealthy are rarely evaluating purchases in terms of minimizing the immediate cost of goods and services. They take a longer view and look for long-term value.

You need to make a habit of buying with an eye towards the best value, not the lowest price. It's still very easy to apply rational decision-making to a buying choice this way.

Buying a car makes a perfect example. You'll probably be presented with different financing options that can spread out the cost of your new car over a short time period or a long one. Due to interest payments, the longer-term loan is going to cost you more money. That means the short loan is the cheap option. Does it really offer you the best value, though? Say you take the longer option. You'll wind up spending more -- on the car. You'll also have more financial resources available for other uses. You could be saving more or even making investments while you're "over-spending" on your car.

One last habit that's common among most financially successful people is an appreciation of experiences over material possessions. When smart rich people splurge, they do it to see new sights or experience new sensations. They've experienced enough physical possessions to learn that ownership is rarely permanently satisfying. Why not devote your financial resources to the things that make you feel happy and glad to be alive? Even the finest gadget or toy will fade with time, but great memories are yours forever.

Whether you're talking about your personal finances or the finances that you're applying to your business, avoiding these mistakes will help you make more money and help stretch the money you do have a lot further.

Here's to YOUR success!

Jonathan Leger