Top 10 Financial Tips

1. Be realistic.

Time spent developing a budget is time well spent.
A common error people make when they're planning their household budget is to list unrealistic dollar amounts. If you spend $500 at the grocery store each month, then it isn't reasonable to list $300 in your budget.

Keep a spending journal for at least two weeks prior to creating a budget for your family and yourself. This will help you establish realistic numbers. A comprehensive budget will not only tell you where the money is going, it can give you a map to tightening expenses. Also, it will allow you to put more money away for your short-term and long-term goals.

2. Know the difference between luxuries and necessities.

Knowing the difference between a "want" and a "need" can help you save money.
Many of the items we spend money on are things we want. If you don't have to have it in order to survive, then it is a want. If the item doesn't fit comfortably into your budget, you need to set it aside until your budget is ready to handle the purchase.

3. Don't bet on the next bonus.

Until the money is in your account, don't spend it. Many moneymaking ventures are not guaranteed, and it's not wise to gamble with what "may be."

For instance, stocks may or may not double within a year, so to plan your budget around what might happen or what you hope will happen can leave you in the lurch.

Focusing on your present financial state will help you reach your financial goals in a more realistic fashion.

4. Keep control of your money.

You earned it, so you should know how it is being spent. When you let someone else control your money, you are putting yourself at risk. A divorce, serious illness, or death can place married individuals at risk. When you know the details of your family's finances, investments, debts, and retirement savings, you are more likely to come out of a negative situation on top. Not knowing can produce a lot of heartache and financial strain that could easily have been avoided.

If you are single, you should know what your broker or financial consultant is doing with your money. Your involvement will help negate any questionable activity that could have a negative impact on your future finances.

5. Think before acting.

Make wise buying decisions. Consumers' spending decisions are processed "5% by the numbers and 95% by emotions," according to Connie Kilmark, a financial counselor and consultant in Madison, Wisconsin. It is critical to make decisions based upon need and not just by what you want. When you sign a loan or lease, you are locked into a payment that may not give you the room needed for financial emergencies like illness, auto repairs, etc.

To avoid over-extending yourself think before you act. Before you sign on the dotted line for a large ticket item, such as a house or a car, you should examine your budget and rent or borrow the item to ensure that your purchase will be a true fit.

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6. Use cash instead of credit.

If more than 20% of your monthly net income is going to pay credit cards and other loans, there are signs of financial problems in your future.
When you use a credit card and don't pay off the balance at the end of each month, you spend more on your purchases. The interest earned on your credit cards will limit the amount you can save over time. Use cash to make your purchases or only buy what you can afford to off when your bill arrives and you can avoid credit card debt that will prevent you from reaching your financial goals.

7. Be credit savvy.

Credit is not evil, but it must be used wisely and judiciously. In order to avoid common pitfalls of debt, consumers need to read the fine print, pay on time, and limit the amount of credit they have. If you miss a payment or get another account, credit card companies can make money.
Even though you have signed up for 0% APR interest, there is no guarantee that the amount will not be revoked. Missing a payment can cause the 0% APR to be revoked, so it is important to be organized and pay your bill on time. Credit card companies can even use late payments with other companies against you, so be on point at all times.

Also, don't cancel cards once you've paid them off. Creditors consider a consumer's credit history, including the length, when offering interest rates.

8. Don't ignore retirement.

Saving for retirement at an early age is a win/win situation. You will have to save less if you start early, and your savings will have longer to grow. Start early and save at least 10-to-15% of your income, if you plan on accumulating the wealth you need to live comfortably later.

Work with a financial planner when determining which savings option is best suited for you. Not all savings are guaranteed, such as 401K and stocks, so choose a savings option that is comfortable for you.

9. Examine your options.

When you select a shorter repayment term on a home, you avoid paying two-and-a-half times the value of the item. A 15-year mortgage can help you save money and build wealth. Before you buy, balance what you can afford with the healthiest option available.

10. Roll it over.

If you change employers, you should roll over your 401(k) balance into an Individual Retirement Account (IRA) rather than cash it out. Cashing out incurs penalties, rolling over maintains your wealth building efforts.

Make sure you make a direct rollover from your previous employer to the financial institute where you have opened your IRA, if you want to avoid giving your previous employer 20% for taxes. Many times a past employer will cash you out after a certain period, so act promptly.