5 MONEY DISASTERS TO AVOID

After almost 32 years of giving personal financial advice, I thought I would share the secrets I know about becoming financially successful. If you avoid these 5 disaster financial moves, you should have a good chance of becoming prosperous and hitting your goals. If you have made one of these already, it may be time to come see us to show you how to get back on track.

1) Buying More Home Than You Can Afford- This is my top one as it will truly cripple your long term financial plan. Years ago, I had heard of a very simple financial ratio called the primary obligation ratio which said that your mortgage payment shouldn't be much more than 28% to 34% of your total gross monthly income. Use that statistic in conjunction with putting 20% down on your home purchase and you will typically avoid this number one financial disaster. It is impossible to squeeze into a home financially like you would a car or some other one time purchase.

Many people forget the cost of furnishing the house which can run 5% to 15% of the home value depending on your taste. While most people think that they can 'fill' there home over the rest of their lives, the truth is people work hard to fill up their unfinished homes compounding their initially bad decision.

In addition, you should estimate that basic upkeep of your home will be 2% to 4% annually. This goes from landscaping, to a blown water heater, or just painting rooms again. Many people do not put these costs into their budget when they figure their mortgage payment.

Last, for the newly married couple that has two incomes, you should consider what will happen when you have your first child. In many cases, one spouse decides to stay home after the birth of a first child. Beyond the new kid expenditures, the budget takes a huge hit with one less income.

2) Private Equity Investments With Friends- Sure you will hear the story of some guy who invested in a start up technology company, a newly developed building, or some fancy new gadget who made a boatload of money. However, for the regular guys and gals who put money into a friend's start up restaurant, a piece of land they never saw, or a few shares in a new company it generally doesn't work out in the long run. The odds of cashing in a private equity investment are very slim in my personal experience, and seeing client private investments over the years. I would say less than 5% of the time does money actually come out the back end of the investment, with more often the result being loss of all of the money.

Here is my simple rule: If you aren't going to be actively involved in the business as an owner stay away. Unless of course you want to lose your money or it take 10 years longer than you thought to try and get it back.

3) Carrying Credit Card Debt- Besides a reasonable home mortgage, most debt just isn't good for you. The one killer in all of the debts is carrying ongoing credit card debt on a long term basis. Sometimes credit card debt occurs because of some one time emergency or catastrophe, but more often than not it is just simply created by living beyond your financial means. You spend more money than you make and do it for a sustained period time and you end up owing the wrong people. Getting tracked down by a loan shark with the Soprano's won't end up feeling good, and neither does watching your debt

compound at a 18% to 24% interest rate with the credit card company. At an 18% interest rate, your debt will double almost every 4 years. The sooner you get a budget and a financial plan, the sooner you will pay off the debt.

4) New Automobiles- I'm thinking of selling the "new car smell" air fresheners right on our website to get people to stop buying new automobiles. Make whatever argument you like, buying a new car is just about the worst investment you can make. I don't mean trading in an older car for a newer 'used' car, but just buying a new car period. I've written many articles on this subject, and if your financial advisor had an investment that you knew would go down in value 40% over the first two years, you just simply wouldn't do it. With body styles changing less frequently in cars today, you can settle for getting a car with almost all the new technology for 40% less price. This financial move over 20 years can save you huge money which you can apply toward your financial goals.

5) Not Saving Enough- It's true that the markets and economy have been shaky, and could be for many years to come. When you look at a goal like retirement, most of us do not want to retire later nor do we want to live on less after working for 30 or 40 years. If you cannot control the markets or your overall rate of return, the one thing you can do to tip the odds in your favor is save more. Use my simple tip of saving 33% of every raise you get, and you will learn to live within your means vs. spending your raises and bonuses. Over time the money will be out of mind and out of sight putting you in a position of refusal come retirement time.

Avoid these disasters and put yourself on track for financial independence, purpose, and freedom. Call 847-205-9300 or go to www.fisherfinancialgroupllc.com for a free consultation with Fisher Financial today.