



BEACON FINANCIAL



# FINANCIAL EDUCATION

## FINANCIAL MISTAKES PEOPLE MAKE AT DIFFERENT AGES

There's a saying that with age comes wisdom, but this may not always be true in the financial world. As people move through different life stages, there are new opportunities - and potential pitfalls - around every corner.

### In your 20s

*Living beyond your means.* It's tempting to want all the latest and greatest in gadgets, entertainment, and travel, but if you can't pay for most of your wants up front, then you need to rein in your lifestyle. If you take on too much debt-or don't work diligently to start paying off the debt you have - it can hold you back financially for a long, long time.

*Not saving for retirement.* You've got plenty of time, so what's the rush? Well why not harness that time to work for you. Start saving a portion of your annual pay now and your 67-year-old self will thank you.

*Not being financially literate.* Many students graduate from high school or college without knowing the basics of money management. Learn as much as you can about saving, budgeting, and investing now so you can benefit from it for the rest of your life.

### In your 30s

*Being house poor.* Whether you're buying your first home or trading up, don't buy a house that you can't afford, even if the bank says you can. Build in some wiggle room for a possible dip in household income that could result from switching jobs, going back to school, or leaving the workforce to raise a family.

*Not protecting yourself with life and disability insurance.* Life is unpredictable. What would happen if one day you were unable to work and earn a paycheck? Let go of the "it-won't-happen-to-me" attitude. Though the cost and availability of life insurance depend on several factors including your health, the younger you are when you buy insurance, the lower your premiums will likely be.

*Not saving for retirement.* Okay, maybe your 20s passed you by in a bit of a blur and retirement wasn't even on your radar screen. But now that you're in your 30s, it's critical to start saving for retirement. Wait much longer, and it can be hard to catch up. Start now, and you still have 30 years or more to save.

## **In your 40s**

*Trying to keep up with the Joneses.* Appearances can be deceptive. The nice homes, cars, vacations, and “stuff” that others have might make you wonder whether you should be buying these things, too. But behind the scenes, your neighbors could be taking on a lot of debt. Take pride in your savings account instead.

*Funding college over retirement.* In your 40s, saving for your children’s college costs over your own retirement is a mistake. If you have limited funds, set aside a portion for college but earmark the majority for retirement. Then sit down with your teenager and have a frank discussion about academic options that won’t break the bank - for either of you.

*Not having a will or an advance medical directive.* No one likes to think about death or catastrophic injury, but these documents can help your loved ones immensely if something unexpected should happen to you.

## **In your 50s and 60s**

*Co-signing loans for adult children.* Co-signing means you’re on the hook - completely - if your child can’t pay, a situation you don’t want to find yourself in as you’re getting ready to retire. Raiding your home equity or retirement funds. It goes without saying that doing so will prolong your debt and/or reduce your nest egg.

*Not quantifying your retirement income.* As you approach retirement, you should know how much you can expect from Social Security (at age 62, at your full retirement age, and at age 70), pension income, and your personal retirement savings.

*Not understanding healthcare costs in retirement.* Before you turn age 65, review what Medicare does and doesn’t cover, and how gap insurance policies fit into the picture.

# **Beacon Financial**

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