Are You Making Subtle Mistakes With Your Money

Imagine you had the opportunity to stand in front of yourself fifteen years ago. Are there any financial mistakes you would warn yourself about, or maybe an opportunity you'd like to share?

Most of us think about this question.

We all wish we would have invested in one of the big tech companies during their initial public offering or maybe made a 'long-odds' bet on that underdog team who won football's Premier League or Super Bowl.

Leicester City's 5000-1 Premier League title shock in 2016 is a classic example of such a long odds win!

These grandiose moments sound great in a time machine setting, but in real life most people's financial mistakes are more subtle, but can make a big different to your overall financial health.

Here are some of the most common, but subtle mistakes people make with their money – Maybe one or two will resonate with you…

Leaving money unemployed or staying in cash too long

Money is the best employee you could ever have.

It will work as hard as you want it to and never complain while replicating itself in the process… All you have to do is give it a job - but that's where many people fail.

Money likes to be invested, whether it is in stocks and shares, the property market or elsewhere like commodities.

Staying in cash too long is not healthy. The money in your emergency fund and a savings account should be there so the rest of your money can get to work.

With the heightened volatility we have seen in the market as of late, many are propelled to worry. Thinking that if they invest they will be buying in at the "wrong time". But a bigger mistake than the "wrong time" is . . . never.

A great strategy to combat the risk of buying at the height of the market is to be disciplined about it.

Use Dollar Cost Averaging (DCA), which means investing a specific amount during a specific time period on a regular basis. We know the market will fluctuate. It will have periods of over-performance and under-performance, and it's the under-performance which will help you buy additional shares at lower price points.

Not Giving it Enough Time to Grow

Time is money's best friend. Any top investment firm will tell you that the most important thing you can do with your money is to invest it early. It's not the amount of money you invest, but the length of time you invest it for that makes the biggest difference.

Let's give that some perspective… This is focusing on Dollars, but you could easily change it for UK Pounds or Euros.

The Cool Million: What would it take it get it?

1. Saving $305.24 per month from age 22 to 65 with a 7% average return on your investments will get you there.
2. Saving $555.23 per month from age 30 to 65 with a 7% average return on your investments will get you there.
3. Saving $1,234.46 per month from age 40 to 65 with a 7% average return on your investments will get you there.

As you can see, you are better off saving a small amount early on.

It's true, you can make up for the time you missed, however, most peoples' expenses usually go up, not down, as they get older. Which means it may also be harder to save more later on, even though your income may have increased.

Building the habit of investing early in life will also allow you to roll with the ups and downs of the market and optimise the performance of your hard-earned money over its investment life.

Not Respecting or not Valuing Money Enough

You've met *him!* … That person who always has the latest car, is somehow always on a beach or visiting some exotic place?

The truth is that not all of these people can afford this kind of extravagant lifestyle, even though they may look like they value money.

The truth behind the scenes is usually they value it the least. We work hard for our money and the best way to create a healthy relationship with it is by allocating focused time to attend to it. If you want to develop a great money relationship you must show it respect.

You must understand the value of the money you earn and what it can do for you.

Having a spending, saving, and investing strategy can be liberating. Giving every Pound, Euro or Dollar a home is like watering a plant, placing it in the right light, and watching it bloom.

Think about treating your personal finances the same way you would treat your business income. If you owned a company you would care about its bottom line and create a plan for costs, hiring and profits. Treat your personal money with the same respect and value as you would a thriving business – After all, it's your business to achieve the retirement you dream of, so why not treat your retirement fund as your business?

Mistaking the Home you Live in for an Investment

When we think about the best financial advice, we often think about the word *diversification*, or having various asset classes within a portfolio to minimise risk.

Owning property as an additional asset class in your overall investment portfolio can be a wise move.

However, there's a difference between investing in property and buying a home.

Buying a home means having a place to make memories and Sunday night dinner. If your interest is buying the home for the appreciation and yield potential, then a home may not be the place for it.

Paying your mortgage every month doesn't increase your net worth, because you are simply moving a figure from one side of the balance sheet to the other. In addition, your home will have expenses. There may be windows and a roof that need repair, appliances that break down unexpectedly etc etc.

Unless you live in a place where property prices are increasing exponentially, it may take too many years to make the increase in money on your home that you wish for compared to other forms of investment.

It's also important to keep in mind that when you do decide to sell there will probably be a number of different fees and taxes to pay, so your home needs to have appreciated significantly in value before you even start to make a profit on it.

Hopefully, this will help you to think a little about how to not make too many subtle mistakes with your money. Make your money work for you, give it enough time to grow, respect it and understand the asset classes which may help your money grow to its optimal potential within your personal timescale.