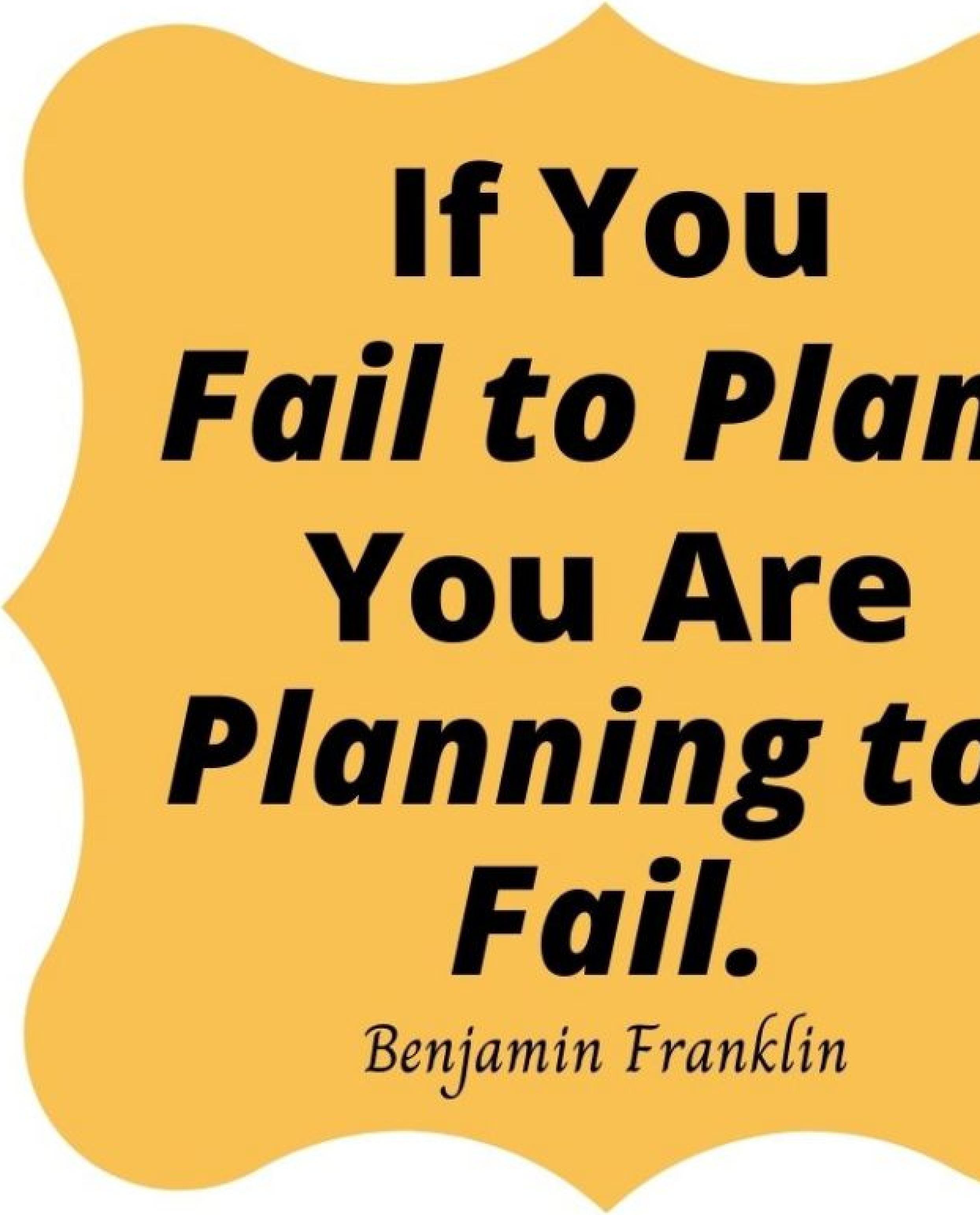
Ten Most Common Wealth Accumulation & Financial Planning Mistakes

Description


If You
Fail to Plan
You Are
Planning to
Fail.
Benjamin Franklin

If your goal is to be financially unbreakable you want to avoid these 10 common mistakes.

1. **Procrastination**. This is the biggest money mistake of all – putting off until tomorrow what should have been done yesterday. This is simply financial suicide on the installment plan.
2. **Failure to Establish an Overall Structure, Philosophy, or Process for Making Financial Decisions** People do not plan to fail – they simply fail to plan. They fail to set specific objectives or implement a workable plan for realizing those objectives.
3. **Ignorance of the Time Value of Money**. The human brain cannot intuitively grasp the concept of exponential growth or the immense power of time and compounding. Just $200 invested every month, returning 6%,will turn into $200,903.01 in 30 years.
4. **Not Realizing the Danger of Inflation**. Inflation reduces the purchasing power of dollars over time. If you put $10,000 under your mattress, in 10 years it would only be worth $7,262.72 if inflation were just 3.25%. Another mistake is not using the real rate of inflation in their calculations.
5. **Lack of a Clear Understanding of Tax Laws**. *Failure to Implement Strategies to Legally Avoid Taxes.* Taxes, be they on income, business, investment, or final expenses, can be substantially reduced or eliminated with effective tax planning. In Canada effective tax planning is one of the most effective and important ways to create wealth.
6. **Failure to Diversify Your Investment Portfolio**. *Taking Unnecessary Investment Risks.* Like compound interest and exponential growth curves, we are uniquely poor at intuitively grasping the nature of risk and our personal relationship with it. A number of biases affect our ability to determine what is an appropriate and comfortable amount of risk for ourselves, and to determine when we are appropriately diversified.
7. **Failure to create a long term, growing cash reserve** with guarantees, upside potential, and absolute vesting; having cash in the face of a crisis or force majeure.
8. **Inadequate Protection Against Unforeseen Losses or Protection Against the Wrong Losses** . The first rule of risk management is to protect that which you need the most. The second rule is when you can't protect what is most valuable to you, do what you can to transfer the risk. People will waste money on microwave insurance but not have adequate income protection**. Risk management is financial planning.**
9. **Unrealistic Expectations**. It takes time to build an estate. Too many people expect dramatic results too quickly and become disenchanted when get-rich-quick schemes do not materialize.
10. **Failure to Use (Good) Professional Advisors**. Nobody is an expert at everything. And the only thing more dangerous than not knowing what you are doing is not knowing what you don't know.

CATEGORY

1. Financial Planning
2. Wealth Creation & Economic Confidence

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