5 Common Money Mistakes

At Lighthouse Wealth Partners, we value ongoing communication in an effort to provide investors with key economic reporting and market insight to help guide your investment decisions. This week, in collaboration with Fidelity, our custodial partner, we examine 5 common money missteps. Working to avoid these mistakes can help ensure investors are good stewards of the dollars entrusted to their care. Let's take a look at the traps to avoid:

#1 - Spending every dollar

Here's the secret to achieving most financial goals: saving money. But you can't save if you spend everything you earn.

Use your dreams as motivation for some of the scrimping that lies ahead. For instance, if saving for a home is high on your list, that goal should get priority when it comes to your disposable income.

You probably have more opportunities to cut back than you realize. For example, instead of splurging on lunch at work because you have a few extra bucks, bring a sandwich from home and save the difference. In order to make this work, you have to know how much you earn and how much you spend. Don't get nervous: Meticulous budgeting may not be necessary. Fidelity recommends a 50/15/5 rule that can be used as a starting point. Consider the following guidelines for saving and budgeting:

- *Think about allocating 50% of take-home pay to necessities (housing, medical care, debt payments, transportation, and food).*
- *Strive to contribute 15% of your pretax income to retirement savings—that includes your contributions and any contribution you may get from your employer.*
- *Consider allocating 5% of take-home pay to your emergency savings account to cover unexpected and one-off expenses like replacing your dishwasher.*
- *Anything that's left over can be saved for other goals.*

Even though this guideline helps, it's always a good idea to further develop a detailed understanding and scope of where your money is going.

#2 - Spending too much on housing

It's easy to spend too much on housing—especially if you live in a big city. According to one longstanding rule, you should avoid spending more than 30% of your pretax income on housing. That’s not a bad start, but the 30% figure may or may not work for you.

The amount you decide to spend on housing depends on your personal financial situation and the things you want to do with your money. For instance, many young people have high debt burdens from student loans that eat up much of their take-home pay. Over 50% of young people between the ages of 18 and 24 lived with their parents in 2021, according to the US Census Bureau. That number does include college students who lived in dormitories.

Choosing to live with parents or roommates can be a great strategy that helps your finances in the long run. Once you're ready to live on your own, be sure that your housing costs don't jeopardize your long-term goals.

#3 - Carrying a high balance on credit cards

It is all too easy to build up a big pile of credit card debt. A dinner here, a shopping trip there, and before you know it, the minimum payment on credit card balances takes a significant chunk of your paycheck. Then the interest charges add up, further sapping your ability to save toward your goals.

Bypass that sad scenario by never charging more than can be paid off at the end of the month. *"The best way to use credit cards is to make timely payments, and don't carry a balance from month to month,"* says Ann Dowd, CFP®, a vice president with Fidelity. *"If you do have a balance, try to negotiate a lower interest rate,"* says Dowd. Card issuers are often willing to lower your interest rate if you have a history of on-time payments, and some issuers even offer to waive late payment fees once or twice a year. But they won't do it if you don't ask...

If you find yourself relying on credit cards for essentials or to cover unexpected expenses on a regular basis, it's time to review your spending and beef up your emergency fund. If you don't have an emergency fund, that just became one of your highest financial priorities. Seriously, it's really important.

#4 - Not saving for retirement

Putting off saving for your future is a common problem. It is so very far away, and there is so much to spend money on now. We tend to place a higher value on short-term gains rather than long-term goals, even when we know the long term is more important.

Another obstacle is lack of money. Many young adults feel like they can’t save enough to make a difference. But saving even a little bit matters, especially early in your career. That’s because time is on your side. You have plenty of years for the power of compounding to work for you.

Here's what that means: Money you invest can earn more money, and over time those earnings can generate earnings of their own. The result is that the earlier you start saving, the less you have to save.

Think about saving at least 15% of your income each year for retirement in a tax-advantaged account such as an IRA or 401(k)—including any match or contribution you get from your employer. If you can't get there right away, that's OK. You have the option to increase your amount annually if you can afford to do that until you reach 15%. Most people can find some extra money to save if they just pay attention to their spending.

If you're lucky enough to have a 401(k) and get a matching contribution from your employer, contribute enough to at least capture the entire match—otherwise you're basically foregoing a part of your compensation. You wouldn't turn down part of your paycheck, so don't leave matching retirement account contributions on the table.

#5 - Investing too conservatively for long-term goals

Many young investors are overly cautious—maybe because they first became aware of stocks when the market tanked in 2008, or because they don't have a lot of money and are afraid of losing it,

If you have a long-term goal, like retirement, an overly conservative approach to investing could mean skimping on the level of stocks in your investment mix, which tend to be more volatile than bonds. But stocks also tend to outperform bonds over the long run—by a lot. Without an appropriate level of exposure to stocks, you will likely need to save far more money to reach your long-term goals, leaving less room in your budget for anything else you want to accomplish.

While stocks have historically offered the opportunity to get the highest return of the 3 main investment types—stocks, bonds, and short-term investments—that doesn't necessarily mean you should invest only in stocks.

Holding a diversified mix of stocks, bonds, and short-term investments could reduce the level of risk in your portfolio and potentially boost returns for that level of risk. An appropriate investment mix is one that balances the considerations of risk tolerance, investment horizon, and financial situation. If you need help assessing risk tolerance and building a diversified portfolio, our investment team at Lighthouse can help. Please do not hesitate to reach out to our team with any questions you have on strategies.

Source - *Fidelity Viewpoints (May 2022)*

What is diversification -

"Diversification is a risk management strategy that creates a mix of various investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles in an attempt to limit exposure to any single asset or risk." (Source: Investopedia)

Weekly Market Recap

Market Closing

Friday, May 10th

Major Indexes	MKT Open 5/6/24	MKT Close 5/10/24	1 Week Change	Year to Date	1 Year Comparison
S&P 500	5,142.42	5,222.68	+1.56%	+10.06%	+26.64%
NASDAQ	15,208.54	16,340.87	+0.82%	+9.86%	+33.02%
MSCI EAFE	2,315.60	2,354.70	+1.69%	+4.80%	+10.46%
AGG-Bonds	96.21	96.24	+0.03%	-2.63%	-0.10%
TNX - 10 Yr Treasury	4.487%	4.504%	+0.38%	+13.48%	+30.06%
DOW	38,762.43	39,512.84	+1.94%	+5.18%	+19.65%

4000 Spring St

Racine WI 53405

Phone:

262-884-8890

OFFICE HOURS:

Mon. - Thur.

8:00 AM - 5:00 PM

Disclosures - Advisory Persons of Thrivent provide advisory services under a "doing business as" name or may have their own legal business entities. However, advisory services are engaged exclusively through Thrivent Advisor Network, LLC, a registered investment adviser. Lighthouse Wealth Partners and Thrivent Advisor Network, LLC are not affiliated companies. Please click the tab above or visit our website www.lhwealth.com for important disclosures.

Lighthouse Wealth Partners often communicates with its clients and prospective clients through electronic mail ("email") and other electronic means. Your privacy and security are very important to us. We make every effort to ensure that email communications do not contain sensitive information. We remind our clients and others not to send us private information over email. If you have sensitive data to deliver, we can provide secure means for such delivery. If you have received an email from us in error, we ask that you contact the sender and destroy the email and its contents. Lighthouse Wealth Partners does not accept trading or money movement instructions via email.

Lighthouse Wealth Partners | 4000 Spring Street, Racine, WI 53405

Unsubscribe kcharp@lhwealth.com

Update Profile | Constant Contact Data Notice

Sent by kcharp@lhwealth.com powered by

Try email marketing for free today!