

Top 10 Money Mistakes Practitioners Make

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Here is a list of the top 10 money mistakes a practitioner can make that can have an effect on their overall business. Make a note of them and try to avoid these common pitfalls by learning how to make better choices when it comes to your business funds:

1. THE ONE-BUCKET THEORY: This is one mistake that a great deal of people commit. Everything goes into one bucket. That one-bucket is their checking account. When money comes in, it goes into the bucket. When money goes out, it comes out of the bucket. Lots of dollars come in and lots of dollars flow out. Since it is a checking account, the amount of interest, if any, that is paid by the bank to you is shameful. How can this be avoided? Simple.

I suggest that you open a money market account to keep the majority of your money in. It pays a much better rate of interest and the money is 100 percent liquid. You can get to this money at any time. At least while it is sitting, it is earning some interest.

2. THE TAX SCRAMBLE: Do you pay quarterly estimates? Has your accountant set up an amount for you to pay each quarter? Isn't it strange that even with your accountant seeing how much you make each month that at the end of the year he comes to you and says that you paid too little and now you need to come up with a lot more? Ever play that game? Want it to stop?

Open up a separate money market account and every time you "write" yourself a check, write a check to the money market account for at least 20 percent of the amount of your check. This way you will always have enough in this account ahead of time to pay your estimates and the total taxes due without scrambling around trying to come up with enough money to pay your taxes. By the way, if you have any left over, it is yours to keep.

3. NO INSURANCE: This boo-boo is covered in one word - insurance. Do you have any deductibles? I'll bet money that they are either too high or much too low. Either way you lose. When is the last time you had a complete review of what you currently have? Are you sure it was a review or a game to see if they could sell you more? You need a complete audit and it needs to be reviewed to see if coverage needs to be added or reduced. Get this done by someone you trust and complete the process at least every two years.

4. GET AN UMBRELLA: No it's not raining. Do you have an umbrella liability policy? If not call your agent and have them show you how it will lower your premiums and greatly increase your liability protection. It will!

5. WHERE IS YOUR RETIREMENT FUND?: Do you have one? Don't tell me that you have an IRA. That won't build enough retirement funds for a long and comfortable retirement. Have you explored what else may be available to you? The time to do this is before another year has slipped by and you are another year closer to trying to retire. Yes, I said *trying*.

6. CHECK THE BANK: Are you still being held captive by your local bank? Are you still paying more in fees each year than they pay you in interest on your money? Do you have any idea what

you are paying in fees each and every year? Maybe that is why they are so nice to you when you come into the bank! It's time to do some reviewing and cost cutting.

7. DEBT IS NOT A FOUR-LETTER WORD: In spite of what you hear from some, debt is not a four-letter word. Some debt can be beneficial. How about a mortgage? Should you pay it off as soon as possible? Think about this: mortgage money is the cheapest money you will ever buy. A mortgage at six percent, after taxes only cost 4.20 percent. Can you go out right now and borrow money for 4.20 percent? Then why would you want to get rid of that mortgage? Once it is gone, how can you get to the money tied up in your house? You must now borrow it at whatever the current rate of interest is. Examine your debt before you get stampeded into rushing to pay it all off.

8. A POCKET-FULL OF PLASTIC: Do you have a pocket-full of plastic? I am referring to credit cards. If you do have them, what is your average rate of interest? Not sure? You need to be sure! You may be paying a lot more than you need to pay in interest charges. You need to call your card companies and ask them to lower your rates. Don't get into the trap of getting those cards with the low temporary "teaser" rates for a few months and then they sock it to you with a very high rate.

9. LIFE VS. DEATH INSURANCE: Do you own life insurance or death insurance? Better yet, what do you really need? You bought term insurance because you have always heard that it is the cheapest? Wrong. Especially if you are going to keep it until you die. If you kept a term policy until you died, you would pay in more than 10 times the face amount! Maybe it is time to re-evaluate your insurance and see which plan is truly best for you and your family.

10. YOU DON'T NEED DISABILITY PROTECTION: That is true as long as you have all the assets you will ever need and no matter how much you need to live on, your assets will never run out. Got that? While you're at it, consider a disability policy to cover the expenses of the office. It is called an office overhead policy. The premium is tax-deductible. The premiums for a personal disability are not tax deductible, but if set up properly, the benefits are received tax-free.

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