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'Money $ense': Scary things people do with their money

By Marc Hebert
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HALLOWEEN doesn't only bring out trick-or-treaters, spooks, ghouls, and monsters — it also brings out our wallets. The National Retail Federation anticipates that the average American will spend $92.12 on Halloween festivities. Though spending on Halloween fun isn't particularly scary, there are a host of other scary things that people do with their money. Here is a list of things that sends chills down my spine:

• **Having no emergency reserve.** Whether it is a major car repair, job loss or another unexpected expense, some people have no emergency reserve to serve as a buffer against financial hardship. According to a recent survey from Bankrate, approximately 25% of Americans report having no emergency savings at all.

• **Waiting to fund education costs.** Funding decisions for your child's postsecondary education shouldn't be made while attending your child's high school graduation. Decide early in your child's life what type of education costs you would like to pay and the best way to accomplish this goal.

• **Inadequate insurance.** It is a terrifying burden to have all of your savings used to settle a lawsuit that proper insurance would have covered. Having the appropriate insurance might be the difference between a comfortable retirement and working long past the age you wish. Consider an umbrella policy to cover liabilities over and above the standard auto and homeowner's coverage. Disability insurance is important in case you aren't able to work. The last major area is life insurance. This can help protect an income stream that would otherwise be used for purposes such as paying down a mortgage, saving for college, or funding child care expenses.

• **Poor debt management.** Use credit wisely. Have a repayment plan. Seek counseling if needed. There are some scary examples of poor debt usage such as car title loans, payday loans, rent to own, and bank overdraft fees.

• **Following investment fads.** There are a lot of popular investment ideas floated on the Internet these days. Following your peers instead of doing what might be in your own best interest could lead you to a financial setback. Take the time to develop an appropriate investment strategy for yourself. This will help you avoid expensive and emotional mistakes when the market throws you a curveball.

• **Failure to diversify your portfolio.** Keeping all of the stock your employer gives you and never selling it isn't the way to go. Neither is buying all stocks of one type, such as U.S. large growth stocks. Do some research and be certain to diversify across asset types and geographic regions.

• **Lack of an estate plan.** No estate is too small not to have a plan. A will is always an appropriate first step. An attorney can help you prepare other documents, such as powers of attorney for finances and health care and livings wills, at the same time. These documents are important in case you cannot make decisions on your own behalf.

• **Neglected retirement savings.** Speaking of savings, retirement plans offered at work are good places to save money while enjoying tax benefits. (*For more on this, see Julie Jason's "Your Money" on Page B6.*) The potential to receive a company match can boost your savings even more. If your company does not offer a retirement plan, then traditional IRAs or Roth IRAs might be the perfect alternative.

• **Counting on the lottery to fund retirement.** Playing and dreaming of winning the lottery can be fun and Americans spend over $73.5 billion per year doing so. But you shouldn't rely on such schemes to fund your retirement. Considering that some retirements now span 30 years or longer, future costs must be carefully estimated. Plus, with inflation driving costs even higher, it is necessary to start saving money as soon as possible.

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