INVESTMENT REPORT

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7 BAD HABITS ROBBING YOU OF A COMFORTABLE RETIREMENT

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Far too often we overcomplicate our thinking on how to accumulate enough wealth to fund our retirement. Sometimes, just the thought of saving a lifetime for a future that seems very distant can be overwhelming.

But managing your money well often means knowing what not to do, just as much as knowing what to do.

What you should do is save as much as you can afford, while you're earning an income, so that you can continue to live comfortably once retired. There are obviously more complex aspects applicable to your personalised strategy which you need to consider, but it's only through investing during your working years that will provide you with sufficient finances after you've ceased working.

Quite often, a failure to save sufficiently for retirement is a result of bad financial habits and squandered money you could have saved instead of having to use it to pay off debt. It's an easy trap to fall into, which is why I've compiled a list of 7 bad financial habits which people are prone to make, which prevents them from experiencing true financial freedom.

1. Living beyond your means

Constantly spending more money than you earn means you're sinking further into debt, possibly leading to financial trouble. It's tempting to want to keep up with the Joneses, but it's not worth the financial stress which accompanies it.

To avoid this, start by creating a budget so as to track your income and expenses. This will help you identify areas where you may be overspending and where you can cut back.

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The market does come with risks as prices rise and fall, but you can ride out that volatility if you diversify your portfolio and invest for the long term."

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2. Not saving money

Failing to save money for emergencies, retirement or other long-term goals can make it difficult to build wealth and achieve financial stability. Prioritise saving by making it a habit to regularly save a portion of your income. Start small and gradually increase your savings as you become more secure in saving. Transferring your savings to an investment instead of just keeping it in your bank savings account is also a good deterrent for impulse buying.

3. Impulse buying

Buying big-ticket items at a whim might feel exciting, but it also puts your financial security at stake. Unplanned purchases can easily lead to overspending and accumulating unnecessary debt. Rather, take time to assess whether you really need an item or whether it's merely an impulse buy. A superb way to overcome impulse buying is to turn off notifications from online shopping platforms that constantly bombard one with deals which seem too good to ignore.

4. Not budgeting

Without creating and following a budget, it's very difficult to manage your finances effectively and spend within your limits. There are many online and mobile apps that help you get a better grip on your finances. Some use your actual spending to track what you're spending your money on and alert you if you're overspending. This will help you identify areas where your spending may have been somewhat impulsive and help you determine where you can cut back.

5. Ignoring debt

Debt can be a huge burden if you've fallen behind on payments, and can seem like a never-ending spiral which is out of control. But you can, and you should, take control of your debt. Short-term debt usually attracts high interest rates, which is money better used for retirement savings. Therefore, devise a plan to pay off your short-term debt as quickly as you possibly can. Focus on paying off high-interest debt first and make sure to pay your bills on time to avoid late fees and additional charges.

6. Over-reliance on credit cards

Relying heavily on credit cards to make ends meet is a major cause of high-interest debt burdens. Make it a priority to pay off your credit card balance in full each month to avoid paying interest charges. If you can't afford to pay off your balance in full, cut back on using your credit card or find ways to increase your income to settle your debts faster.

7. Not investing

As already illustrated, paying off debt rather than investing for your retirement is a major cause of financial stress and prevents many from investing properly for their future. By investing your money in the market, you can take advantage of the power of compounding to grow your wealth over time. Yes, the market does come with risks as prices rise and fall, but you can ride out that volatility if you diversify your portfolio and invest for the long term.

I'm sure you'll agree, the points I've shared are not a mystery. By being financially aware, you can keep your short-term finances in check so that your long-term future is secured. Remember, it's never too late to start making positive changes to your financial habits. Start small and make it a habit to make good financial decisions daily.

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MARIA is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of SA and is fully qualified to give advice on all investment matters.

She joined Brenthurst Wealth in 2019 and has been in the financial services industry since 2015, working as a liaison between Financial Advisers and clients, assisting in all financial planning related duties.

Maria obtained a BCom Economics degree from the North West University's Potchefstroom Campus. She also obtained her Postgraduate Diploma in Financial Planning from the University of the Free State in 2019 and is qualified to give advice on all aspects of investing.

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