

Bad Financial Habits – And How to Break Them

Much of what we do day-to-day is driven by habit. Like with other bad habits that could bring you down, bad financial habits can also cause harm and frustration. Whether it's paying thousands in interest or fees, having zero cash for emergencies, or damaging your credit score, poor financial habits need to be addressed and corrected.

Here are five common bad financial habits — and, most importantly, how to break them.

#1 No Set Budget

When you don't have a budget, it's like driving down a road with no map. You have no direction. Your budget is there to help guide you to smart spending and money management, thereby boosting your savings.

How to break it:

Write down your total monthly income and make a list of your expenses. Now, subtract all your expenses from your income. The amount you have remaining can be used for spending or saving. Set aside a small amount of money each month for any unexpected expenses (for emergency purposes) as well as for saving. If you don't have much left over, review your past spending to look for areas to cut — every little bit helps.

#2 Avoiding Your Bills

Your payment history impacts your financial future tremendously. In fact, your credit score is highly judged by the ability to pay bills on time. This holds true for all bills, from credit cards to your utilities.

How to break it:

Try setting up your bills to be paid automatically from your account each month. You can do this through bill pay in the online banking platform. This will ensure you never miss a payment. If, for some reason, you can't pay a bill when it's due, call the creditor before your due date to work out a payment plan. Don't simply ignore the bill. That will only cause more significant problems down the line.

#3 Not Improving Your Financial Knowledge

You're probably well aware that putting more money towards your debt and spending less overall is the best way to meet your outstanding financial obligations. If you take steps to learn the basics of finance, you put yourself in a better position to get out of debt and become wealthier and smarter with your money.

How to break it:

Take a few minutes each week to learn something new about personal finances. You could attend a seminar or class that teaches you how to budget effectively or pay off debt quicker. Or, you could simply

read articles online or on your phone. Not only will you help to boost your finances by enhancing your knowledge, but you could also increase your self-confidence.

#4 Using Credit Cards Like Free Money

Credit cards can be a good thing when used wisely — or they can easily create even more financial challenges. Credit cards are the biggest enablers of bad financial habits. They allow you to spend on impulse and jeopardize your budget. Traditional credit cards from banks or stores typically come with significantly high-interest rates that make paying off your balance extremely difficult.

How to break it:

The best thing you can do is limit your credit card usage to emergencies or purchases you can easily pay off each month. A great tactic is to write your financial goals on a sticky note and wrap it around your credit card. Every time you go to swipe, you'll be reminded of your financial goals, causing you to rethink your purchase.

#5 Not Saving Money for Emergencies

Emergency expenses can pop up at any moment. Whether you get a flat tire, an unexpected vet bill, or a trip to the emergency room, these unplanned expenses can easily throw your budget way off course.

How to break it:

The solution is to create an emergency fund and start putting away money. An ideal emergency fund will be three-to-six months' worth of your living expenses. Should something unexpected come up, you'll have the money to pay for it without derailing your budget or turning to credit cards.

We're Here to Help!

Creating good financial habits doesn't have to be difficult. With a little discipline and planning, you can grow your emergency fund substantially and quickly without putting a lot of strain on your finances.

For more information about financial planning, please give us a call at 800-410-0501. We're ready to help you build healthy financial habits and achieve your goals!

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