



Avoidable Financial Missteps

Life experience tells us that sometimes, knowing what **not** to do can be just as useful as knowing what to do. To help out, we've compiled this list of common missteps people can take with their money.

1. Lack of Investment Comprehension

- A common story we hear goes like this. A new client explains to us that at her old brokerage house, she was told to 'not worry about the details' of a particular investment – only to focus on the return structure. Down the road, the investment would fail and the client would only be presented with more confusing investment options that they do not fully understand. Too often, this kind of poor wealth management drove them seek a higher standard. At DeWaay, we feel it is important to explain our investment vehicles and answer any questions our clients might have. **Strong relationships are built on trust, and trust is built on communication.**

2. Avoiding Capital Gains Taxes at the Cost of Profit

- Take this hypothetical situation. Bob bought 100 shares of fictional Goliath National Bank (GNB) stock in November of 2000 at 19.65 per share. Over the next few years, Bob knows he's picked a winner as he watches his gains increase. In November of 2006, GNB stock was trading at 54.85. Bob decided to hold onto his investments to continue to seek gains and to avoid the IRS. Two years later, GNB stock was trading for 16.42. **Between capital gains and the taxes that come with it or a \$3,520 loss, which would you choose?** This example illustrates another good point: **Past Performance is Not Indicative of Future Results.**

3. Dipping into Retirement to Pay Off a Credit Card

- Don't let the allure of paying off your entire credit card lead to clouded judgment. Retirement savings are for just that – retirement. Early penalty fees along with state and federal taxes can offset the perceived benefit of paying off your entire credit card balance. Instead, we recommend you structure an aggressive repayment plan. If you feel you'd like to go beyond this basic step, we invite you to engage in the financial planning process with us at DeWaay.

4. Covering the Entire Cost of your Child's College Education

- A college education is the cornerstone of any young professional, but parents should not have to foot the entire bill for their child's education. Those in the 45 to 65 age range with college bound children need to focus on retirement. When college kids have 'skin in the game' they are likely to value their education more while learning how to responsibly pay down a large loan. As we all know, after college, responsibly paying down large loans is a big part of life!

Source: McPherson, David. "Five Dumb Things People Do With Their Money - ABC News." *ABCNews.com*. 28 Apr. 2010. Web. 27 July 2010. <<http://abcnews.go.com/Business/Retirement/dumb-things-people-money/story?id=10490988>>.