Dear present and future clients:

For this month's letter we're doing something a little different. In honor of Valentine's Day, we're giving you a love letter of sorts for you to send to your kids and grandkids – a financial love letter. These are likely to be things you already know well, but these gentle reminders to the younger people in your lives may become something they're thankful about for many years to come. If this sparks their interest, or yours, please pick up the phone and call one of us on the PM Group team. We're here to help you <u>and them</u> with financial planning. Because you are important to us, please know that your family is important to us as well. Also, let us know if they, or anyone else you care about, might want to receive these monthly emails and we will add them to the list.

"Growing old is not an option. We don't have a choice.
But we do have choices that will greatly affect our quality of life
for the rest of our life."
-Henry K. Hebeler

<u>5 money mistakes and how to avoid them</u>

Have you ever heard someone say that experience is the best teacher? How about, "there are no mistakes, just lessons".

Well, I would like to take a slightly different tack. Experience isn't <u>the best</u> teacher. *Someone else's* experience is. Learn from other peoples' mistakes and you can save yourself a lot of grief.

In that spirit, I'd like to review the biggest financial mistakes I've seen and offer you ways to avoid them.

1. **Living paycheck to paycheck**

Too many Americans don't have enough money in savings. According to CareerBuilder, nearly 80% of Americans live paycheck to paycheck to make ends meet. And lest you think this applies only to those who are in low-wage positions, nearly one in ten workers who earn over $100,000 or more are in the same boat.

I’m shining a spotlight on this predicament in the wake of the recent government shutdown. During the closure, we were treated to many stories of federal employees who were running out of money after missing one or two paychecks. And these folks were guaranteed back pay and were offered plenty of assistance from banks and credit unions!

I’m not trying to minimize the frustration many of them experienced, but imagine what might happen to someone during an extended period of unemployment.

Don’t wait to start socking money away. Pay yourself by stashing away funds after each pay period. I would recommend accumulating at least three to six months of emergency funds. And I’d lean towards six months. A financial house that is in disorder is among the leading causes of stress. Savings will mitigate the emotional and mental burden.

2. **You can’t start too early saving for retirement**

I’ve already broached the subject with my college-age daughter. So far, she seems less than enthusiastic. I get that. There are many other things she’s focused on today. But when she graduates, the seed will have been planted, and she’ll be mentally ready to sign up for her 401k.

I have a friend who is in his late 40s. He can probably retire comfortably by 60. Yet, he regrets waiting until 30 to begin putting money into a retirement account. What if he had started in his early 20s? The same holds true for another colleague who is 52. He’s semi-retired today but wishes he had enrolled in his company plan before he turned 26.

We all know the reason earlier is better–it’s the magic of compounding. Those deposits made in our 20s will have a lifetime to grow. Don’t waste the chance to increase your savings now. You’ll never get it back.

3. **Do you know where your money goes?**

Without a spending plan that tracks expenditures, you may wonder why there is month at the end of your money, and not money at the end of your month.

One of my closest friends from college can tell you how much he spent on gasoline in March 2001. That may sound extreme, but there are various guidelines you may use when setting up a plan.

Focus on the essentials–rent, mortgage, utilities. Leave room for your financial goals–repaying debts, retirement, emergency funds. And have some fun by budgeting for lifestyle choices–recreation, hobbies, vacation, and so forth.

If you are unsure how you might get started, my team can help you develop a spending plan that will help get your financial house in order.

4. **Credit cards and personal debt**

Credit cards are a fantastic convenience and most pay some type of reward. But don't place yourself in bondage to monthly payments. Pay them off monthly or you will suffer from steep interest charges.

If you feel like you're buried under a mountain of credit card debt, an auto payment, student loans, and personal debt, you'll need a plan of attack. Let's talk. It will be the best financial decision you ever made. Just knowing there's a roadmap to debt-free living will be liberating.

5. **Those luxury purchases**

That new car sure is fast, the ride is exceedingly quiet, and it has all the latest gadgets. But the new car smell will eventually wear off. The payments, however, won't. When looking for a new vehicle, what you don't know can hurt you. What is the gas mileage? Does is require an expensive grade of gasoline? What will it cost to insure? And what will the annual license renewal run?

If you can answer these questions and the payments comfortably fit into your budget, you'll sidestep any surprises that could crowd out your hobbies and financial goals.

Let me emphasize that it is our job to assist you! If you have any questions or would like to discuss any matters, please feel free to give me or any of my team members a call. As always, we're honored and humbled that you have given us the opportunity to serve as your financial advisors.

We appreciate your business and are always here for you – and your family!

All our best,

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