Common Financial Mistakes

Failure to set long-range objectives – Expert investment counselors say that having a financial plan and holding to it is just as crucial as having a blueprint for building a good house or creating a successful business. Most investors don't set goals and stick with them, instead they have collections of securities bought on tips, hearsay advice, or casual comments from friends.

Lack of an up-to-date will and estate plan – Many financially successful people haven't kept their wills updated. All estate plans should have been reviewed since the Estate Tax Revisions of 1996.

Falling in love with one's investments – Even the most carefully selected securities can go sour as a result of changing government policies, shifts in consumer preferences, or management upheaval. It is important to review your portfolio at least once a year.

Trading or speculating rather than investing – Although ideal, it represents the investment, the temptation to try to buy low and sell high has proven disastrous for millions of unwary individuals. Most experts believe that long term capital appreciation is a desirable objective.

Failure to follow a balanced investment program – In an era of stock market volatility and global market economics, most money managers say it is wise to have a financial nest egg that is well diversified. Depending on your goals and timeframe, these could include high-grade bonds, quality common stocks, small cap stocks, international investments, real estate and cash reserves for emergencies.*

Being too greedy – An old Wall Street adage says, "a bull or bear can make money in the market, but a pig rarely can." Conservative advisors suggest selling stock that has had a sharp run-up in price rather than holding on in the hope that it will go even higher.

Neglecting an insurance program – Inflation has outdated millions of insurance programs. Life insurance policies need to be reviewed periodically along with disability and homeowner's coverage.

Lack of Detailed Financial Records – Many individuals are unsure about exactly what investments they own. It is wise to keep a list in a safe-deposit box, including an inventory of personal possessions such as antiques, paintings and collections of coins, stamps or art objects.

Shying away from professional advice – Many people with substantial incomes figure they can save money by managing their personal investments. This may work for those with broad experience and plenty of time, however, others may save in the long run by seeking professional assistance.

*Unlike stocks, bonds offer a fixed interest rate and the return of principal if held to maturity. Small-cap stocks tend to experience greater volatility than large-cap issues. International investments involve special risks, including economic uncertainty, political unrest and currency fluctuation.

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