

# Let's Talk Finances

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## Common Money Mistakes Made by Young Adults



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Everybody makes mistakes with their money. The important thing is to keep them to a minimum. And one of the best ways to accomplish that is to learn from the mistakes of others. Here is our list of some of the top mistakes young people (and even many not-so-young people) make with their money, and what you can do to avoid these mistakes in the first place.

**Buying items you don't need...and paying extra for them in interest.** Every time you have an urge to do a little "impulse buying" and you use your credit card but you don't pay in full by the due date, you could be paying interest on that purchase for months or years to come

**Getting too deeply in debt.** Being able to borrow allows us to buy clothes or computers, take a vacation or purchase a home or a car. But taking on too much debt can be a problem, and each year millions of adults of all ages find themselves struggling to pay their loans, credit cards and other bills.

**Paying bills late or otherwise tarnishing your reputation.** While one or two late payments on your loans or other regular commitments (such as rent or phone bills) over a long period may not seriously damage your credit record, making a habit of it will count against you. Over time you could be charged a higher interest rate on your credit card or a loan that you really want and need. You could be turned down for a job or an apartment. It could cost you extra when you apply for auto insurance.

**Having too many credit cards.** Two to four cards (including any from department stores, oil companies and other retailers) is the right number for most adults. Why not more? Each card you own – even the ones you don't use – represents money that you could borrow, up to the card's spending limit. If you apply for new credit you will be seen as someone who, in theory, could get much deeper in debt, and you may only qualify for a smaller or costlier loan

**Not watching your expenses.** It's very easy to overspend in some areas and take away from other priorities, including your long-term savings. Our suggestion is to try any system – ranging from a computer-based budget program to hand-written notes – that will help you keep track of your spending each month and enable you to set and stick to limits you consider appropriate. A budget doesn't have to be complicated, intimidating or painful – just something that works for you in getting a handle on your spending.

**Not saving for your future.** We know it can be tough to scrape together enough money to pay for a place to live, a car and other expenses each month. But experts say it's also important for young people to save money for their long-term goals, too, including perhaps buying a home, owning a business or saving for your retirement (even though it may be 40 or 50 years away

**Paying too much in fees.** Whenever possible, use your own financial institution's automated teller machines or the ATMs owned by financial institutions that don't charge fees to non-customers. Try not to "bounce" checks – that is, writing checks for more money than you have in your account, which can trigger fees from your financial institution (about \$15 to \$30 for each check) and from merchants. Pay off your credit card balance each month, if possible, so you can avoid or minimize interest charges. Also send in your payment on time to avoid additional fees.

The bottom line is, it's really up to you to take charge of your finances. Doing so can be intimidating for anyone, and it's easy to become overwhelmed or frustrated. Just remember, everyone makes mistakes. The important thing is to take action.