

Money Traps - How To Avoid Them

Does every month-end seem like an eternal wait for the next pay check to clear all your bills?

You want to buy a sleek car like your neighbor, or go for a beach vacation to that exotic place, but these dreams evade you. If attaining the basic pleasures of life seems increasingly difficult for you to attain, you need to pull up the realms and regain control of your finances.

Surprisingly, it's spending, not low income which is the root of most money traps. Start by keeping track of what you earn and what you spend. This will help you consciously alter your lifestyle to help meet your other goals. Begin monitoring your expenditures. Use a spreadsheet like MS Excel or a simple notebook to note down everything you spend your money on. Even if you purchase a bar of chocolate or pack of cigarettes, ink it. You must also remember to include your investments in the list. This will help you broadly categorize your spending into grocery, mortgage, savings, mobile bills etc. This information will help you prioritize your expenditure. Luxuries like movies, and dining out etc should figure lower down in your list.

If you want to impede any further money traps, you must keep a watch at your checkbook. Always keep your checkbook balance up-to-date and keep a close track of deposits and withdrawals so that you always know how much money you have in the bank.

Charting out a financial plan helps you outline your financial goals and provides a roadmap to achieve the established goals. The key to resist the urge to spend money on unnecessary little things is to have concrete financial goals, things that you perceive as important accomplishments.

Set a timeframe and the amount you need to accumulate to reaching the goal. When faced with the temptation to splurge, think about the goal you're working towards. Otherwise, it may land you in a situation where you are unable to pay for your child's college, down payment for the house or save enough for retirement.

This eludes the entrapment of your account getting overdrawn. You must pay attention to what is going in and out of your accounts at all times. Also, when your bank statement comes in each month, sit down and balance it and check for any discrepancies between the two that could cost you money needlessly.

A survey conducted by CardWeb suggests that the average person has six credit cards in their wallet, not including debit cards. Possession of multiple cards spells serious damage to plans of averting fall into a money trap. The credit cards increase the risk of overspending and missing payments. And then you will be further burdened with late fees, compounding interest rates and penalty rates.

If you spend all your money paying interest on credit cards and installment debt, you will continue to get sucked deeper into the debt trap. When you buy on credit and don't pay the balance off at the end of the month, you end up paying much more for your purchases. Pay cash and stay away from credit card debt.

And don't be lured by cards which offer attractive rewards. If you calculate the ratio of rewards to spending, it's meager. An individual does not need more than two credit cards, especially if you have an outstanding balance.

Finally, if you feel overly-whelmed with the idea of sorting through your dwindling finances, do not hesitate to seek assistance from a professional financial planner. They will provide you sound advice on how to budget your expenses and help you quickly organize and manage your personal finances.

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