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No Regrets: Three Money Mistakes to Avoid

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Everyone has financial regrets -- including you. I know this because you (or someone who looks, sounds and worries an awful lot like you) just collapsed on the couch in my office and started confessing a litany of financial sins:

There's an over-priced shack you bought at the top of the real estate market, or a dream home you didn't buy when the market collapsed. There's an extravagant vacation you shouldn't have taken or another cheap pair of shoes you couldn't resist. There's a low-paying job you quit right before Google bought the company, or a high paying job you accepted that makes you too miserable to enjoy the money you're making hand over fist. There's a student loan you still haven't paid-off, a gym membership you never use, and a Tesla Roadster parked in front of my office we both know you don't need.

I'd buy the same model in orange if my budget would let me. It won't. I have two kids to put through college and a wife who wants me to retire at 60. But enough about me. You're here to talk about your retirement plans, not mine.

There are just a few more things you need to get off your chest before you're ready to discuss said retirement plans, starting with the fact that you already know you'll never be able to retire. I would ask why, but you're already rattling off a long list of reasons:

Because the market downturn ate your 401(k). Because you put all your money in gold when silver was going up. Because you bought all the wrong stocks at just the wrong time, or you sold the only stock you'd ever loved that actually loved you back. Because you didn't listen to the neighbor, sister, or total stranger on the internet who told you XYZ was going to the moon, and now it's orbiting the sun. Because the investment gods hate you and don't want you to live happily ever after in the Greek Isles.

I'm about to tell you that I've been to Greece, and man is it beautiful, when I notice the tear starting to trickle down your cheek. Although I'm an investment advisor, not a priest or a therapist, I've learned to keep a box of Kleenex at the ready, because you usually get emotional when you're talking about money. I do, too.

And I have made stupid investment mistakes and blown at least some of my hard-earned cash on a dinner that cost more than a week's groceries. Just like you. While such actions are regrettable, I've got some good news to share as soon as you're ready to stop beating yourself up and listen:

You don't need to sweat the small stuff, and everything you've just told me is small stuff. As I see it, there are only three big mistakes (not 300 tiny ones) that will completely torpedo your financial future. These three mistakes are almost impossible to reverse -- especially once they become habits. And these three mistakes MUST be resolved if you are to experience anything approaching financial success. They are:

1. Spending More than You Make
2. Failing to Invest in Your Future
3. Letting Your Emotions Rule Your Financial Life

We all carry debt at some point in our lives, such as student loans, a mortgage, or a car payment. Not all debt will devastate your future plans, but if the only way you're making ends meet every month is by running up your credit card balances, you will never catch up. Ever. You must learn to live within your means and spend less than you make.

Failing to invest in your future is an even graver financial mistake. It is the one thing that can destroy any possibility for financial success. That's why failure can't be an option. That whole "pay yourself first" notion isn't just a clever sound bite some financial guru dreamed up last week. It's the wisdom of the ages!

Both of these first two mistakes are intrinsically linked, and they can easily hijack your hopes for a comfortable retirement, if you let them. But flip the equation, i.e., spend less and save more, and you'll be in the driver's seat. How quickly you reach full retirement speed depends on your spending/savings ratio. If you spend 90 percent of what you make and save 10 percent, you will eventually get where you want to go. Someday. However, if you spend 75 percent of what you make and save a whopping 25 percent in a retirement portfolio, you will get there a lot faster. Conversely, if you spend 101 percent of what you make, you will run out of gas and be stranded halfway down retirement road.

The third and final big mistake is so common it's almost a cliché. All people -- advisors like me and nervous wrecks like you -- make misguided decisions about money when we let our emotions run the show. We do this because we are emotional creatures who cry at Hallmark commercials and jump out of our skin if Janet Yellen pops out of the closet. We cower when some media prophet rants about the end. And, we get greedy when a stock market guru pitches the next beautiful opportunity. We get excited at the wrong times for the wrong reasons and we freak out at the wrong times for the wrong reasons.

You are going to get emotional when markets take a sharp turn in either direction. You already know this, so don't let your gut feelings (sheer panic) or heart (irrational exuberance) serve as your financial GPS. Let your head call the shots.

Our time is up. My next client is waiting in the lobby. It's time to dry your eyes, hop in that Tesla, and begin cruising towards retirement. No regrets needed! Just remember to swerve around those three big potholes in the road. And don't forget to wave when you drive past my office.

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