

Pattie Lovett-Reid: 10 common money myths debunked



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Everyone wants to think they make sound financial decisions, but the fact is we all have financial regrets sometimes. Unfortunately, we don't know what we don't know, and rather than acknowledging that and seeking help, we can become overconfident based on our own perceived predictive powers.

The following is a list of some of the money lessons I've learned to be true – and not true – along the way.

1. Ditch your credit card and use cash only. Credit cards are very effective financial tools and can help establish your credit rating. Paying your bills on time is crucial to building that rating, which can be used when applying for a consumer loan, renting an apartment even purchasing a car. The only time I would cut up the card is if I continued to rack up debt and was unable to make payments.

2. Retirees shouldn't have money in the stock market. I would argue you may want to reduce exposure to the markets as you age, but eliminating it all together may compromise your ability to keep up with inflation. I appreciate many retirees are in wealth protection mode versus wealth accumulation mode, but exposure to good quality companies that increase their dividend helps to preserve purchasing power.

3. If you save aggressively, one day you will be rich. Not entirely true. You do create wealth by spending less than you earn. But in order to create real wealth you have to increase your earning potential and keep your expenses in check. Look for ways to enhance your skills and expand your education with an eye on increasing your earning potential.

4. You get what you pay for. Not always. Higher priced items doesn't always equal higher quality. Real estate, generic drugs and even stocks can have price changes but that doesn't mean the product, service or company is any less valuable.

5. I don't have enough money to start investing. You likely do. For as little as \$25 per month you can start tucking away a little money in a mutual fund. To ensure you get the job done, consider setting up a pre-authorized purchase plan so the money comes right out of your account before you think you have a better to spend that money. This supports the concept of pay yourself first.

6. Buying a home is always better than renting. Home ownership isn't for everyone. Many will dream of the white picket fence, and for some, it is a great investment. But owning a home isn't for everyone – from both a financial perspective or lifestyle perspective. For many starting out in their careers, having the flexibility to relocate if required could give you a competitive advantage. Want to own a real estate? Explore rental properties or even a real estate investment trust.

7. I don't need to worry about our finances. My partner has this under control. You need to worry. No one is going to care about your financial future more than you. You cannot afford to abdicate financial responsibility to anyone. This doesn't mean you have to manage the daily transactions, or be the one who buys and sells securities, but you do need to understand what is going on and not be afraid to challenge assumptions and outcomes.

8. Two incomes are always better than one. Sure, unless expenses are higher than the money coming in. The decision to work outside of the home can often be driven by childcare costs or caring for other family members. Of course there are emotional decisions here – not everything is driven by a financial outcome.

9. Setting up an emergency fund can wait. Unless an emergency strikes. Emergency funds are best if never used but invaluable if you need it. You need to have some money tucked aside for the "what -if scenario": you lose your job, the car breaks down,

the roof leaks, or worse. If you don't have the funds, at the very least get a credit card or line of credit. Don't use it unless you need to, but in a difficult situation, you may not be able to qualify for one.

10. Personal finance is only for people who have money. Not true. Personal finance is for people who want to take control of their financial situation. It's about setting goal, getting out of debt, building an investment portfolio, having money set aside for an emergency, exploring insurance options, and the list goes on. Everyone deserves to have a financial plan, one size doesn't fit all, and cookie cutter approaches to building wealth don't work.