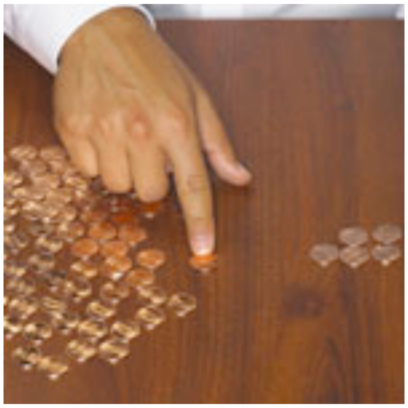
7 deadly sins of personal finance

Are you ready to face your accountant? Here's what you might have to confess

By: Jennifer Gruden



Greed, envy, lust and wrath

Greed: Overspending

Okay, okay, we get it: some of the shopping has to stop. One way to cut the credit card bills is to slow down a bit. In More.ca's piece on secret spending, by Margaret Nearing, Karin Mizgala, a Vancouver financial planner, suggests some soul searching:

There's nothing wrong with spending your money," she says, "but when you're making impulse or expensive buys, be curious about what's going on. What's the motivation? Is it really what you want?"

Envy: Assuming everyone else can manage

As North America goes through a collective look at the real cost of debt, one thing's become clear: Those friends down the block whose tale of the Bahamas got you clicking around the 'net looking for your own tropical getaway? Chances are good they couldn't afford it either.

So start with your own budget, not with the Jones' SUV down the street. And if you really must be fashionable, remember: Frugal is the new black.

Lust: Emotion over math

Here's a classic mistake (one Kim Pittaway explores in her piece "Do the math"): Not running the numbers on whether you can afford a house or a condo, because you're waiting for the perfect partner to come along before the real estate purchase. The dream obscures the reality that it might make more sense to pay the mortgage rather than the landlord. So run the numbers!

"While women have come a long way in figuring out how to earn money, we aren't doing a great job of using that money wisely. We entangle it in our emotions. We imbue it with magical powers. And many of us…simply refuse to do the math in our own lives."

Wrath: Failure to plan for emergencies

Even if you live a charmed life, there will be unexpected expenses: Car repairs, home repairs, a dental bill not entirely covered by insurance, and the like – not to mention unemployment. It's worth building up savings to cover contingencies so you aren't constantly paying interest, late charges, or bounced-cheque fees.

One quick and easy tip: some companies will allow you to redirect part of your direct-deposit payroll into a savings account.

Pride: Unrealistic goals

If you try to rein your budget in too far, you may get discouraged way too quickly. In Sandra E. Martin's piece "Help! I forgot to save for retirement," financial advisor Katrine Sperling puts it succinctly:

“There’s no point in me telling you that you need to put away $1,000 a month if that’s absolutely unrealistic for your budget,” says Sperling. “So then you have to come to an agreement about what is realistic. Could you put away $300 a month? If that’s much more maintainable, start with that."

Sloth: Procrastination

Also from Sandra Martin: Getting on the right investment track -- and staying on it – requires more than your best intentions. Find a way to be accountable, whether that's by hiring a financial advisor, or setting up an investment "club" among friends to keep each other on track.

Gluttony: Fragmented investing

If you've bounced from job to job – or invested from bank to bank – you may have collected too many eggs in too many baskets to really keep track. As Cheryl Bauer Hyde says in Margaret Nearing's "Smart woman's guide to money":

"Fragmented investing is something I see with many women. A few years ago, the approach to RSPs was to focus on the tax refund rather than on the long-term strategy of investing for retirement. Consequently, I’ve met with women who have little bits of money, or maybe big bits, with four or five financial institutions. They have no idea of their overall rate of return, or if their investments are in a variety of areas — diversified — or are in too much of one thing."