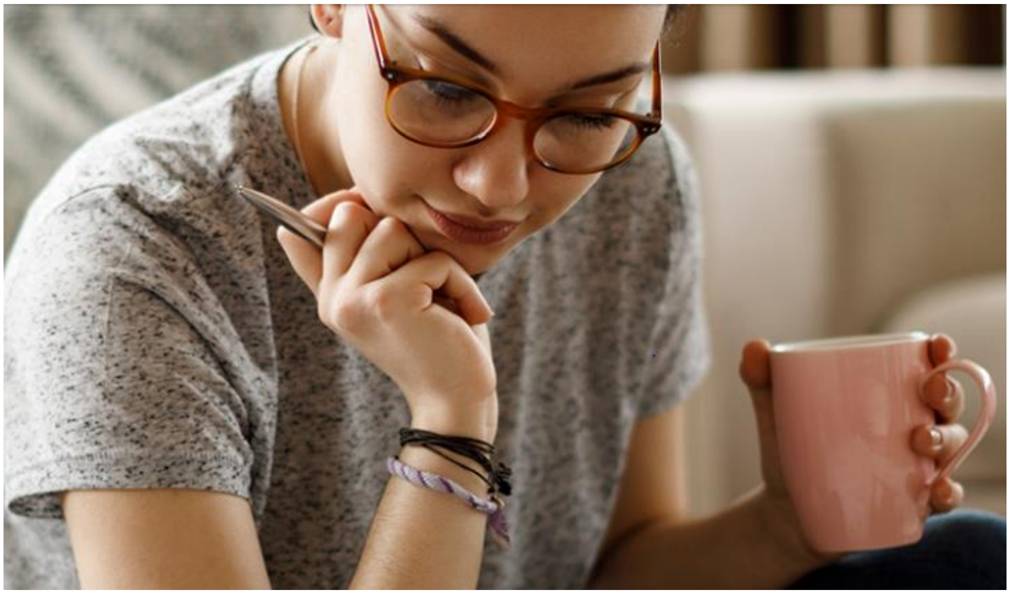

5 Financial Mistakes You Might Be Making Right Now

Here are five of the most common money mistakes people make – and how to avoid them.

It can be hard to know when a financial choice you're making is the right one, especially if you have competing priorities and sometimes limited financial resources. Here are five common financial traps people often find themselves in and tips on how you can avoid them.

Mistake No. 1: Not Saving Enough for Retirement

When you're just starting out, retirement feels like it's far away – something you don't need to worry about until you're much older. The truth is, while the specifics of what retirement looks like for you may be constantly evolving, having the financial resources to make that future a reality starts while you're young. Building good savings habits and taking advantage of the power of compounding can make your financial journey a lot smoother.

Baird recommends: Pay yourself first – with every paycheck, take a percentage (say, 10%) and move it to a savings or retirement account right away. By using automatic deposit, you don't even give yourself the opportunity to spend it on less important priorities.

Mistake No. 2: Relying on Credit Cards in a Jam

The convenience of credit cards has made them a virtual necessity in modern life – just try to rent a car or book a hotel room without one. But while they can be a useful tool for building up your credit score, misusing them – especially when money gets tight – can lead you down a dangerous path: In solving for an immediate problem, you're pushing the expense down the road and compounding it with interest.

Baird recommends: Start building an emergency fund as soon as you can to give yourself a cash buffer during lean times. Try to save enough to cover all your must-have expenses (think housing, food and transportation) for as long as you think it might take to replace that missing income. Building an emergency fund could keep you from avoiding the trap of revolving credit card debt in the first place. And speaking of credit cards…

Mistake No. 3: Paying the Minimum on Your Credit Card Bill

Imagine putting a $1,000 flat-screen television on your credit card. If you pay off your entire bill at the end of the month, that TV will only have cost you $1,000. But let's say you only make the minimum monthly payment on your bill. By the time you finish paying it off, it could end up costing you $1,500 or more – which is $500 that could have been better spent or put toward your retirement.

Baird recommends: Use credit wisely by only charging what you can afford to pay in cash. By paying off your bill every month, you can earn rewards points without accruing interest. If you already find yourself carrying over credit card debt from month to month, start building a plan to eliminate that debt once and for all.

Mistake No. 4: Taking Early Distributions from Your Retirement Plan

If you need more cash than you currently have available, you might be tempted to tap into your retirement account for a loan. If you're younger than 59½, that can be a mistake for multiple reasons. First and foremost, you'll likely pay a penalty to withdraw those funds – 10% for the IRS plus state and local tax on the distribution. Beyond that, you're diluting the power of compounding and reinvestment: Even if you do ultimately replace what you withdraw, you'll miss out on any income that money could have made for you had you left it alone.

Baird recommends: Beyond identifying other potential sources of income, there are steps you can take to minimize the financial hit from a retirement plan withdrawal. Generally you can withdraw from your retirement account without penalty so long as you put the amount in a similar retirement account within 60 days. You also might avoid this penalty if you use the distribution for certain expenses, such as for higher education or to purchase a first home. And remember, if you're 50 or older, you're allowed to "catch up" on your retirement savings by contributing an additional $6,000 to your 401(k) and $1,000 to your IRAs.

Mistake No. 5: Being Lax With Your Personal Information

Having your identity stolen can result in a full range of serious consequences, from drained bank accounts to credit disputes to long conversations with the IRS and the Social Security Administration. While there's no way to be completely safe in an increasingly online world, ignoring the risks won't protect you from danger.

Baird recommends: Do what you can to keep your private information private, including shredding documents that contain account numbers or other personally identifiable information, creating unique passwords for each online account and staying safe from phishing attacks. Also, be sure to ask how companies you do business with are protecting your personal and account information.

Wise financial planning is all about knowing what you want your future to look like and making smart and informed choices to get there. You can count on your Baird Financial Advisor to always be there to provide thoughtful guidance that’s right for your circumstances.