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Financial Procrastination?

Procrastination, we all face it at one point or another, whether at work or in our personal life. It can be something as simple as putting off a deadline for a project or packing for vacation at the very last minute. Procrastination may cause several undesirable consequences from missed deadlines, wasted opportunities, and inevitably inefficiency. There can be harmful costs associated with putting off certain decisions, especially when procrastination is introduced to personal finance and investing. Though avoiding a subject which may cause nervousness or fear may generate a false sense of safety, needless delay may cause harmful outcomes in the future.

It is understandable with the economy as rocky as it is now, prolonging and avoiding planning, investing, or restructuring may seem to be the easiest thing to do, falling into this trap may be so costly that it affects important decisions. I was speaking with a friend the other day and was questioning whether she should be as concerned as others are about their portfolio and retirement plan. As we began to delve deeper in the conversation, I found out that it was not the lack of care for her money, she was simply afraid and did not know what to do. She expressed that she put off all her investing and did not want to even think about money because it has become too overwhelming with the market and lack of information. This emotion is not uncommon; many feel and act the same way as my friend and it is primarily due to fear. We all procrastinate because of fear, but it can be costly.

Point 1:
"I will start investing once the market begins to stabilize."

When will this happen? No one really knows and the news will never be the answer to the issue. Playing on the sidelines will not bring a portfolio back to its old conditions. Delays in putting money to work through investments may end up costing a lot. For example, if an individual begins investing $2,000 annually at the age of 30 in a tax-deferred account, at a 5% return until the age of 60, this individual would have saved $132,878. If the same person decides to start 10 years later, the same person would only save $66,132, which is about half if the person started earlier. Everyone's situation is different, if you want to know yours, just shoot us an e-mail and we will be more than happy to calculate it for you.

Point 2:
"I am not sure what to invest in so I will do it later" or "I need more time to research what is out there."

This is normal, many either want to know everything before they invest or just the minimum. Yet, putting off investment decisions until the market improves or even delaying investing by trying to "time the market" can cost thousands in the end because the best market days can be missed.

What's so important about the best market days? One study shows that $10,000 invested in the S&P 500 on January 1, 1980, would have grown to $121,029 on June 30, 2008. But if the investment missed just the 10 best-performing days for the index over this period, it would have only grown to $70,745 or about 42% lower.

One proper way to avoid missing out on these days is to be continuously invested. Some may feel that being invested immediately may be too aggressive, in that case, create a plan to dollar cost average with your wealth manager and make sure the plan suites the goals that need to be accomplished.

Point 3:

"I will start saving for retirement later because I am still young. I really need to focus on paying off my debt right now because I do not think I have enough money."

Another fine case of a typically common problem. The best way to avoid this situation is to have a plan of action in place and follow the steps faithfully. Procrastinating on major financial decisions may quickly become the most costly. Dealing with personal finances can be daunting and frustrating, but the best part is that it doesn't need to be done alone. For milestones in life to simple budget planning, that is what our wealth manager are trained to help out with, it just isn't the investment decision and planning topics.

Procrastinating on major financial decisions may lead to some pitfalls:

- Having insufficient time to read and analyze the fine print on contracts

- Not having the right amount of insurance coverage or assets needed

- Making quick decisions without the proper research.

We will leave you with one important bit of advice: **Do not procrastinate because of fear**. Talk to a wealth management professional and together work towards eliminating this unnecessary fear. Time is money when important decisions need to be made. Whether it is personal finances or investments, prompt actions need to replace financial procrastination, since procrastination can become very costly in the future.

Lesson one: Avoid Financial Procrastination at All Cost. Remember, this road need not be traveled alone.

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