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4 common money tips financial planners always tell their clients to ignore

Jen Glantz 8 hours ago



You are not going to miss out on Social Security if you wait to claim it at 70, experts say. FG Trade/Getty Images

- Financial planners say there are a few common money tips they tell clients to ignore.
- They recommend against rigidly sticking to your financial plan and allowing flexibility as needed.
- They also advise clients not to take Social Security too early, and to invest their excess cash.
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Over the past few years, I've rearranged my financial plans and created a strategy to make sure I'm paying attention to my money decisions on a daily basis. Since I don't have a financial background (I majored in poetry in college), I've found myself searching for advice from many different sources. I've asked friends and family for their best tips, scoured blog posts and websites, and even asked a handful of financial advisors for their most well-regarded advice.

I am constantly feeling overwhelmed by all the knowledge I consume and it's made me wonder: What advice is worth tossing aside and what is worth following? That's why I recently asked four different financial experts about the common money tips they advise their clients to ignore. Here's what they said.

1. Rigidly sticking to your plan with no flexibility

While having a financial strategy is important, financial planner [Adam Deady](#) says there are times when you need to adapt and change it.

"You should have discipline when it comes to your financial habits, but if your situation changes, your plan may need to change or evolve as well," says Deady. "Say you're out of work or had your hours cut back. Building up an emergency fund should come to the forefront as an immediate priority for reallocating funds. Or say you have a child. Funding for college may come into the mix as another financial priority. Plans are meant to have a strong foundation from which to build and evolve."

2. Claiming Social Security too early

I rarely think about Social Security and the age I'm going to tap into that resource, but financial planner [Sarah Lewis](#) recommends ignoring the advice that it's best to claim your Social Security benefits as soon as you're eligible if you're nervous that the fund is going to go bankrupt.

"Even if the trust fund depletes, most Social Security benefits are paid by ongoing employer and employee payroll taxes," says Lewis. "The cost of claiming early is substantial, about a 32% haircut or potentially \$1 million in lost benefits over a long lifetime. Instead, claimants should wait until age 70 to claim and benefit from a higher amount (from which future cost of living adjustments will be made) if they are in good health and expect to live past their early 80s. Of course, cash flow matters, too, and a little advance financial planning can go a long way."

3. Keeping too much cash on hand

Whenever I notice the balance in my savings account growing, I wonder if I should hold onto the cash or put it elsewhere. Financial advisor [Ryan C. Phillips](#) says that a big misconception clients have is that cash is king.

"Too often individuals have taken to the idea that it is valuable to have lots of money in cash," says Phillips. "In actuality, this could not be further from the truth. With rock-bottom interest rates at your bank and higher inflation for everyday goods and services, now more than ever, having too much in cash is actually getting you further away from your goals."

Instead, consider putting your money into the market — whether through a [brokerage account](#), retirement account, or otherwise — if you won't need it for the next several years. That way, you can let it grow at a (hopefully) higher rate than inflation.

4. Choosing the wrong retirement plan

When it comes to strategizing a plan for your financial future, a lot of people have varying advice. [Scott Stanley](#), a financial planner, advises clients to avoid one common suggestion when it comes to your retirement plan.

"Don't listen to the advice that when you retire, draw from your taxable savings account until it's depleted, then move on to your tax-advantaged accounts (like IRAs)," says Stanley. "When working out the perfect strategy, you'll want to create the most effective withdrawal balance, which could mean that you draw from your IRA now to reduce your future exposure to a higher tax bracket, while being cognizant of your current income and tax bracket thresholds."

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Age to Start Withdrawals: 62

Expected Retirement Savings: \$250,000

Combined Social Security and Pension (per Month): \$1,200

Savings Put Toward an Annuity: \$0

Estimated Years in Retirement: 32

Investment Style: Balanced (50% Stock Portfolio)

Estimated Retirement Income: \$2,033 per month

Withdrawals: \$833

Predictable Income: \$1,200

Social Security and Pension: \$1,200

Annuity: \$0

Your predictable income accounts for 59% of your monthly income.

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