

Are These 3 Money Myths Holding You Back?

April 2025 marks the 22nd anniversary of Financial Literacy Month, a time dedicated to promoting financial education and empowerment for people of all ages. Whether you're a longtime investor or a college student managing a budget for the first time, brushing up on your financial knowledge can pay big dividends. In fact, multiple studies show that financial literacy is directly linked to more positive financial outcomes, such as higher savings rates, lower levels of high-interest debt, and better financial decision-making.¹ So let's get started by debunking three common misconceptions about money that can prevent you from reaching your goals.

Myth 1: With more money, all my problems will go away.

While money can't buy happiness or make all of your problems in life disappear, it can pave the way toward accomplishing the things that make you happy and confident about the future. That begins with a realistic view of money and its purpose in your life.

Think back to the early days of your career and your first big raise. Maybe that extra money helped you pay down some debt, afford a vacation, transition from renting to buying a home, or accomplish other goals. Yet, before you knew it, your standard of living had risen to meet your new income threshold — something known as lifestyle creep. Add inflation to the equation and suddenly you're living paycheck to paycheck again, with little or no money set aside for the future. The good news is it is possible to break this endless cycle.

The secret to feeling financially secure is not about the amount of money you make but how well you manage it. The more you understand and incorporate sound money management principles for saving, investing, and budgeting, the more likely you will be in a position to not only live comfortably within your means, but begin building wealth for the future you envision.

Myth 2: Budgets are too restrictive.

Using a budget to track every dollar that enters and exits your household may initially sound cumbersome, but it's actually freeing. That's because your budget is a powerful tool for creating accountability around spending and savings to help you manage today's wants and needs make tomorrow's goals possible. While budgeting does require discipline, it can yield meaningful results over time, such as:

- Increased savings for short-term goals and unexpected expenses
- Funding for long-term goals, such as retirement
- Reduced credit card, personal, or student loan debt
- Less financial anxiety

Consider one of the free budgeting apps available online or through your bank or other financial institution. Many budgeting apps can aggregate data from your bank and credit card accounts, making it easy for you to monitor savings and spending in real time.



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Myth 3: Credit card debt is just a part of life.

Most American households have some type of consumer debt, but not all debt is created equal. Certain types of debt, like a mortgage, are considered good debt. Mortgages are fairly low-interest loans that can help you build equity in your home while also building your credit history. Low-interest student loans are another example of debt that can help you move closer to accomplishing certain life and career goals.

When used judiciously and paid off monthly, credit cards can be a useful tool for building your credit history and maintaining a strong credit score, which lenders use to help determine consumer creditworthiness. However, high-interest credit card debt can have an adverse impact on your ability to build wealth and accomplish your financial goals. Not only are you not building equity, but credit card interest rates represent some of the highest borrowing costs, currently averaging above 20%.² If not managed prudently, credit card debt can easily snowball, resulting in money that could otherwise be saved or invested going toward high minimum payments each month.

Paying account balances in full each month is one of the best ways to increase your credit score over time while avoiding the high interest rates credit card companies typically charge on outstanding balances. If you're not in a position to pay off a large balance in full, be sure to pay more than the minimum amount due so you're also paying down the principal amount, and refrain from adding additional charges to the card. If you have multiple credit card balances, pay off the cards with the highest rates first. It may also make sense to consolidate debt through a lower-interest balance transfer or a personal loan. Be aware that the low introductory rates associated with credit card balance transfers are temporary. If the balance is not paid off during the introductory period, or a payment is missed, it will revert to a higher rate. To qualify for the most favorable terms and rates on a balance transfer or personal loan, your credit score will generally need to be in the "good" to "excellent" range.

If you have questions about managing personal finances, contact the office to schedule a time to talk.

¹Todd Christensen, "April is Financial Literacy Month." Moneyfit.org, 4 MAR 2025, <https://www.moneyfit.org/financial-literacy-month/>.

²Kelton, Katie, "Survey: Nearly half of American credit cardholders still carry debt, many for at least a year." Bankrate.com, 8 JAN 2025, <https://www.bankrate.com/credit-cards/news/credit-card-debt-survey/>.

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