

Guidance

Find opportunities. Avoid traps.

4 Steps To Better Decisions

Submitted by Nathan Gehring on Mon, 10/22/2012 - 9:00am

All financial advice revolves around that one goal — helping you make good financial decisions. It truly is that simple. But actually making good decisions is far more difficult.

Here are some simple steps to help train yourself to be a better decision-maker. These aren't necessarily easy to implement, but they will help you move closer to financial success.

Be deliberate: Sometimes, we make decisions without even knowing it. Some obligations and responsibilities that we take on aren't deliberate, and they might be some of the worst ones we make. You might decide to live somewhere because that's where your family has always lived. Or you may think you have to fund your child's college education without determining if this is something truly important to you. These responsibilities and obligations that have not been chosen deliberately can harm your ability to make good decisions.

Create structure for making decisions: Give yourself tools and limits that will help you make good financial decisions. This could come in the form of a checklist that you review before you spend a large amount of money. There are ways to stop spending too much. The classic example is freezing your credit card in ice to give yourself more time to fully consider a decision. Use cash for expenses. Your spending is limited to the cash in your wallet, and you can't spend more (unless you cheat).

Be silly (sometimes): Not every good financial decision needs to be a solemn choice. Money is meant to support your life. You need a bit of fun, so use some of your money that way, but be deliberate about this, too. Know what you can afford to be silly with. Make the decision consciously and with control. Going to the circus and buying some concessions on a whim can be a good silly decision. Buying an expensive car on a whim, because you think it'll be fun, is not.

SMART ADVICE



Why All Investors Need Good Advisors

By Larry Light, Editor-in-Chief

At AdviceIQ, we believe that everyone should have a financial advisor — a good one, vetted through our system to ensure that he or she has a clean background. Hiring an experienced, capable advisor gives you the services of someone who knows the landscape of investing and other necessary financial matters, such as the amount and type of insurance you should have, and how you should set up your estate.

Be careful: Don't confuse outcomes and decisions. A good financial decision does not mean you get a good outcome. Great decisions can end up poorly and poor decisions can turn out well. The outcome does not determine whether the decision was good or not. Not everything is under your control. Even if you are making sound decisions, plan on the possibility that you will hit the occasional bump in the road. Live these steps and you'll make good financial decisions. Not every time, but more often than not.

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Nathan Gehring, CFP, is an associate planner at Keats Connelly, the largest cross-border wealth management firm in North America. It specializes in helping Canadians and Americans realize their dream of a cross-border lifestyle. He is based in Boynton Beach, Fla.

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