Personal Finance

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3 Money Mistakes That Will Come Back to Haunt You

Vampires, werewolves – that's kid stuff compared to seeing a frighteningly empty bank account

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October 30, 2013

It was an all-you-can-eat buffet, costing around $12.95, as Mim King recalls. About 10 years ago, King, a professional organizer and money manager in St. Paul, Minn., learned that one of her clients had gone to a restaurant, and he was determined to eat all he could.

"He stayed beyond what most people would consider a reasonable time, simply in order to eat," King says. Before the day was over, his family took him to the hospital to get his stomach pumped. King never learned the cost of the hospital bill, but she is betting that it far exceeded her client's meal.

Everyone makes money mistakes, but if there's a theme connecting many of them, it's that if we stopped and thought about it, we'd realize what we're doing isn't going to end well. While King's client didn't predict he'd wind up in a hospital, if he had thought through his plan beforehand, he might have left after, say, the third or certainly the fourth helping.

[Read: 5 Financial Decisions That Sound Smart But Are Really Dumb.]

In that spirit, here are a few common money management mistakes – and why these decisions are likely to haunt you.

Going to Graduate School Without Thinking It Through

Why it will come back to haunt you: Graduate school isn't cheap. Price tags are all over the map, ranging from a relatively low $21,000 a year for business school at Brigham Young University's Marriott School of Management to $63,200 a year at Harvard Business School. The last thing you need is to graduate and realize you really aren't cut out for your new career.

The consequences: That realization is not uncommon. Shane Fischer, a criminal defense attorney in Winter Park, Fla., says he sees it all the time. He knows many lawyers who hate what they do "but went to law school because they hadn't 'found themselves' at 22. They racked up $100,000 to $200,000 in debt before their 25th birthday. Unless they hit the lottery or get lucky with a big case, their student loan debt will be an albatross around their neck for the rest of their careers, as they will never make enough money to bounce back from the debt as well as the lost income from taking additional years off to go to school."

Which may not be so bad if you love what you do. But if you hate it, the decision will plague you, quite possibly for the rest of your life.

Taking Out an Expensive Loan You Can't Afford

Why it will come back to haunt you: Maybe you'll be able to pay it back, but if you're honest with yourself, you probably won't. After all, the reason the high-interest loan you're considering is so expensive is that you had trouble paying back the previous loans you've taken out. How is this one going to be any different?

The consequences: Desperate times, as they say, call for desperate measures. But some loans are so punishing that desperate consumers would be better off taking whatever lumps are coming to them.

While some credit cards have exorbitant interest rates, and payday loans are well-known as an expensive way to borrow money, among the worst of the worst are car title loans.

The Center for Responsible Lending reported earlier this year that approximately 7,730 lenders give out $1.6 billion in car title loans every year, and to get that money, consumers spend $3.5 billion a year in interest. It's a form of predatory lending that is illegal in about half the states, which says a lot.

[See: 10 Savings Strategies That Can Backfire.]

Here's how it works: A typical borrower receives cash equal to 26 percent of the car's value and pays 300 percent APR. If consumers don't pay back what they borrow, they lose the car. Because most people are determined not to let that happen, they renew the loan – paying back only the monthly interest and renewing the loan for another 30 days. Consumers who borrow $950 typically take eight months before paying back the loan and spend more than $2,140 in interest.

Failing to Save for Retirement

Why it will come back to haunt you: The reasons are obvious: Nobody wants to find out what happens when you have to choose between buying food or medicine.

The consequences: If you're making this mistake now, you're not alone. A new Wells Fargo study, which surveyed 1,000 middle-class Americans from their 20s into their 70s, reports that 37 percent of people don't expect to ever retire, and they plan to work until they're too sick to do anything else – or die – whichever comes first.

Two years ago, Ken Bodnar, then 55, was pretty sure his future was going to involve being "the most educated greeter that Wal-Mart would ever have."

Bodnar surely means no offense to minimum-wage earners, but from a salary standpoint, it would have been a step down. He had just lost his job as the chief technology officer at a prepaid debit card and money transfer company in Nassau, Bahamas, a position he had been offered two years earlier when he was toiling in a cubicle in Ottawa, Ontario. It was 2011, and Bodnar was an unemployed expat supporting his 24-year-old daughter. He had nothing saved for retirement.

[See: 12 Surprising Facts About Boomer Retirement.]

As it turned out, Bodnar was able to save himself from being a cautionary tale. For the next two years, he worked in a series of odd jobs, proving his worth to employers and bringing in what money he could. Bodnar eventually landed at SelectBidder.com, a wholesale inventory website for the auto industry, where he is currently the chief technology officer.

And, yes, he is finally saving for retirement and has a healthy amount of money already stashed away. He also no longer has any debt, which he abhors and suggests everyone in their mid-50s and beyond start hammering away at if they haven't already.

"Debt puts you further behind the eight ball than you really need to be," says Bodnar, who is able to put a lot toward retirement partly due to scaling back his expenses. "I live frugally, and it doesn't kill me."

But Bodnar can see another alternate reality, one that he came awfully close to, and it haunts him to think about it. He imagined himself "slinging fries at McDonald's, knowing how to fix the malfunctioning electronic sales register *and* the global networking that it was connected to."

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