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PERSONAL FINANCE

Stop Tracking Spending and Other Money Tasks to Take Off Your To-Do List

Here are some things financial advisers suggest avoiding in 2022

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By Veronica Dagher Follow

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When it comes to your money, sometimes doing nothing is the best thing to do.

Financial to-do lists abound at this time of year, and it's always smart to check on the rules around charitable giving or set financial goals for the new year. Knowing what to skip is just as important, though—so consider this list of suggestions from financial advisers as a 2022 to-don't list.

Don't rush to pay off a low-interest mortgage

With inflation predicted to rise, paying off fixed-rate mortgage debt ahead of schedule might not make sense.

Elliot Pepper, a financial planner in Baltimore, encourages clients to think about putting extra money in investments that will perform better than the interest rate cost of their mortgage. That’s especially true for those who have recently refinanced a mortgage, he said.

For example, rather than make an extra $10,000 payment on your 3% mortgage, you could buy a new series US I savings bond where money will earn an annualized 7.12% rate through April 2022, he said. The bonds can’t be redeemed for 12 months from the date of purchase.

By putting some of the extra funds you were going to use to pay off your mortgage sooner, consider investing them instead in a long-term portfolio with low fees, said Ajay Kaisth, a financial planner in Princeton Junction, N.J. Your after-tax returns are likely to be greater than the interest cost of the mortgage, he said. Those with underfunded retirement accounts are typically better off diverting extra funds into retirement savings than into added mortgage payments, said Mr. Kaisth.

Don’t overpay for items because ‘supplies are limited’

Consumers might normally wait for a sale, or at very least shop around to get the best price, said Bobbi Rebell, a financial planner and personal finance expert at Tally, a credit-card debt management app.

Now, many retailers are putting language on their websites such as “only a few left” to push shoppers to click the “buy” button amid supply-chain shortages, shipping delays and rising inflation. Retailers also often follow up with targeted emails and text messages warning us that say, the pajamas we love will be gone if we don’t buy them immediately.

Don’t succumb to the pressure.

Some specific items may genuinely be in short supply, but panic-buying or snagging something “just in case” it’s out of stock later can undermine a budget, Ms. Rebell said.

“Rising prices are real but that doesn’t mean you shouldn’t shop around for the best price possible, ask for a discount or find a less expensive alternative,” she said.

Don’t track your spending

Tracking every last dollar of your monthly spending can feel empowering at first but is hard to sustain, like a crash diet, said Kenny Senour, a financial planner in Denver.

He advises clients to focus on using a simpler approach such as designating 50% of your paycheck for essentials such as rent, 20% for savings, and 30% for everything else.

Save first so there's no need to budget for what's left, said Kathryn Tuggle, editor in chief at HerMoney Media and co-author of the upcoming book "How To Money."

She advises figuring out how much you want to save every month, and setting that amount aside immediately through an automatic transfer to a high-yield online savings account. When you put your long-term goals first, then tracking your short-term spending matters less, she said.

"It's such an empowering feeling to know that the money that's left in your account is yours to spend as you see fit that month," she said.

If you still need to stay under a certain dollar amount for spending each month, create a "fun money" account to make automatic deposits into at the same time you're funding your savings account, said Ms. Tuggle.

Since you will putting only discretionary funds into that account, you can spend the money on whatever you'd like without feeling guilty, she said.

Don't fall prey to FOMO

You may feel a pang for not owning cryptocurrencies or the latest stock sparking conversations on Reddit, but don't feel the need to jump in, Scott Newhouse, a financial planner in Tucson, Ariz., said. It may feel like a wise choice to get in, but chasing hot stocks often leads to underperformance in your returns as their outperformance won't last forever, he said.

It's fine to stick with time-tested investment strategies, such as a low-cost, well-diversified investment portfolio of stocks and bonds, he tells clients.

"It is a waste of time to do a deep dive into investing trends like NFTs, SPACs and cryptocurrencies if you know they aren't a fit for your investing goals—or you just don't understand them," said Tally's Ms. Rebell.

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