

## Financial Mistakes You Should Avoid

We all make mistakes in managing our finances, but some mistakes are worse than others. Here are four of the biggest mistakes to avoid.

- **Buying investments over the phone.** Make it a rule to never buy an investment over the phone. Thousands of people have lost money in investment scams promoted by fast talking telephone salesmen. And even if the product is legitimate, remember that the person who called is only interested in making a sale, not in finding the right solution for your investment needs. If you're too polite to hang up, ask for a prospectus that you can study at your leisure. That at least will sort out the crooks from the legitimate salespeople.
- **Putting tax exempt investments inside your 401(k) or IRA.** The big advantage of these retirement vehicles is that the earnings grow tax deferred. So it's a waste to invest the funds in tax exempt instruments such as municipal bonds. If you do, you're giving up a higher return for a tax advantage you can't use. Instead, invest in higher yielding taxable investments, since the earnings inside your plan are tax deferred anyway.
- **Chasing tax shelters.** An obsession with minimizing taxes can often lead to poor investment decisions. Tax exempt investments may have a place in your portfolio, but often it makes financial sense to choose a taxable investment and pay tax on the earnings. Never buy an investment just because it's tax exempt.
- **Taking premature distributions from your IRA.** Taking money from your IRA before age 59½ should be the last thing you do. If you do, you'll generally pay a 10% penalty tax plus the normal tax on the amount you withdraw. Make sure you've exhausted every other possibility before you tap into your IRA savings.