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The worst money mistakes a person can make

An oversight or a simple lack of foresight can scuttle your finances and leave you flailing for solutions, especially with the added hardship brought on by the pandemic. In an annual survey by Fidelity, more than two-thirds of respondents reported a financial setback such as a job loss or health emergency in 2020. With so many financial threats outside your control, you can ill afford to make avoidable mistakes. Here are some of the biggest and most common pitfalls.

Paying for Subscriptions You Don't Use

Apps such as Truebill and Trim exist because consumers need to shed subscriptions. Waterstone Management Group found that 84% of Americans underestimated their tech spending: Although they guessed they spent about $80 a month on average, their actual total was 40% higher. Add wireless service to use those subscriptions, the bill came to more than $237 monthly.

Eating Too Many Restaurant Meals

According to the Bureau of Labor Statistics, the average American consumer spent nearly $3,400 a year dining out before the pandemic. There are ways to save money when eating out or ordering in, but the real answer is to cook at home more often. Considering you're probably eating out far less during the pandemic, try to hold on to that new habit even after things return to normal.

Not Returning Unwanted Purchases

In a survey by ecommerce platform Narvar, 83% of respondents who didn't return items were put off by restocking fees, 74% didn't want to pay return shipping, and 51% were put off by a short time limit on returns. But considering that 57% of those who made a return replaced the item at the same retailer or elsewhere and that 60% got their money back, it's worth making an effort.

Paying Too Much in Banking Fees

The average monthly maintenance fee for a bank account is an all-time-high $14.39. Overdraft protection fees have dropped marginally to $32.11. Checking account fees cost consumers an average $1,000 a year. Disentangling your financial institutions and avoiding fees is a task worth undertaking.

Planning a Vacation You Can't Afford

Although few people are vacationing during a pandemic, lots of people are still paying off trips they've already taken. Surveys have shown that about a quarter of Americans can't afford a summer vacation and roughly 10% can't travel during the winter holidays because they are cash-strapped. Although you may be tempted to plan a big post-pandemic trip after staying at home for so long, see if you can find ways to enjoy a staycation. If you do venture out, remember that you can find cheap weekend trips whether it's warm out or on the chillier side.

Making Ill-Timed Splurges

Maybe it's going into steep holiday debt just before the tax bill is due. Maybe it's spending on a steak dinner with wine just as it's time to renew the auto insurance. Spending at just the wrong time can really set back your finances. Instead, get on a budget — there are a ton of programs that can help.

Overspending on Gifts

Plenty of otherwise perfectly frugal people lose their senses around the holidays or overspend on a friend's wedding. Roughly 33% of shoppers in a NerdWallet survey ahead of the 2020 holiday shopping season still hadn't paid off debt they incurred the previous year. If you aren't good at setting a budget or just get too wrapped up in emotional spending, you may want to pop onto Pinterest and start making gifts yourself.

Overspending in General

Charles Schwab found that a full 64% of people in a 2018 survey wished they'd spent less and saved more for retirement. For people struggling to get a handle on their spending, some financial advisers point to the 50/15/5 rule: 50% of take-home pay is for necessities, 15% goes to retirement savings (between your contributions and matching by your employer), and 5% goes into savings for unexpected and one-off expenses such as emergency travel or new appliances.

Becoming House Poor

An alarming 17.6 million U.S. households are spending half their income on housing, according to a Harvard University study. A typical rule of thumb is to avoid spending more than 30% of pretax income on housing, but that doesn't work for everyone. Moving home with parents, finding roommates, downsizing, and other solutions may have to come into play.

Carrying a Credit Card Balance

No, carrying a credit card balance doesn't help credit. Credit-to-debt ratio is a big part of a FICO score, and it's actually best not to carry a balance. Card issuers are more likely to lower your interest rate if you have a history of on-time payments, and some will actually waive late fees once or twice a year — but you have to ask. If you want to get on top of it, either ask for a lower rate or switch to a 0% balance-transfer card and pay down your debt.

Neglecting Retirement

Long-term investments can seem far less important when you're struggling in the short-term. But every little bit helps, especially when you have the power of compounding interest on your side. Financial planners often suggest saving at least 15% of your income each year for retirement in a tax-advantaged account such as an IRA or 401(k) — and maximizing matching funds from employers. "Americans are living longer than ever, with retirement often lasting 35-plus years," said Scott Goldberg, president of Bankers Life. "You could need expensive medical care for months or even years, drastically cutting into your hard-earned retirement funds."

Playing It Too Safe in the Long Term

The 2008 financial crisis, the pandemic downturn, and other scares have made many young investors overly cautious about investing in the stock market. But if you're saving for retirement and won't touch your money for 40 or 50 years, what happens in the market this month or this year is much less important than what will happen during the next few decades.

Letting Emotion Undermine Investment Decisions

Fear can hinder investment success. So can enthusiasm. "Letting emotion drive your investment decisions is the best way to wind up running afoul of a bubble or missing out on appreciation," said Eric Meermann, vice president of Palisades Hudson Financial Group in Stamford, Connecticut. Instead of trying to time the market, or falling for a opportunity that was literally too good to be true, investors should decide on a long-term asset allocation, and resolve to stick to that plan through good times and bad.

Not Having a Will

While the Tax Cuts and Jobs Act of 2017 trimmed the number of people who have to worry about a federal estate tax, a will or trust is the only way to make your intentions known after you die. It's especially important for parents of minor children, who need to name a guardian for their child. "No one enjoys dwelling on his or her own mortality, which means that it's very common to procrastinate creating or updating a will," Meerman said. There's no getting around the need for some tough talks and paperwork, but there are ways to keep it simple.

Lacking Insurance, or Lacking Enough

Going without car insurance will cost you for lapsed coverage, but it'll also cost you in fines from several states. A homeowner without homeowners' insurance is on the hook for damages, mortgage violations, personal injuries on their property, and even dog bites. The population of those without medical insurance has been whittled away by federal policies, but uninsured families pay more total medical costs out of pocket than insured families and are more likely to have high medical expenses relative to income.

Not Having an Emergency Fund

In Fidelity's survey, 16% of respondents experienced a health emergency in their family and 20% had an unexpected non-health-related emergency. What's more, 23% lost a source of income in 2020. Prioritizing saving and maintaining an emergency fund can help fend off a worst-case scenario.

Over-Relying on Benefit Programs

Only one-third of non-retired boomers expect guaranteed post-employment income from an employer, Goldberg noted. But programs such as Social Security are not designed to fully replace wages in retirement, nor will Medicare always pay for ongoing long-term care costs. Goldberg suggested considering annuities as a retirement solution and recommends buying insurance geared toward long-term care. "Beyond annuities, consider delaying your Social Security benefits until at least your 'full retirement age' or longer, as that can result in a higher income check from Social Security," Goldberg said.

Not Paying Down Debt

If you're going to retire, you have to expect a significant decrease in income. Debt payments should make up no more than 10%, Goldberg said. "Remaining medical, mortgage, or education-related debt can prevent retirees from living the life they have imagined," he said. Work to build assets and pare down debt as early as possible.

Not Taking Required Minimum Distributions

Certain retirement funds, including IRAs and 401(k)s, force retirees to take a required minimum distribution by April 1 of the year after they reach 72 — a rule affecting anyone who reached reached the age 70½ in 2020 or later.. Consider signing up for automatic withdrawal, because the penalty for not taking an RMD is half the amount you don't withdraw. In other words, if your RMD is $10,000 and you don't take anything, the penalty is $5,000.

Spending for Rewards

According to a 2018 poll by CreditCards.com, 47 million Americans picked up a tab just to earn credit card rewards. If a $100 dinner with friends puts you over the minimum spending for a 50,000-point sign-up bonus on a rewards card that may be worth it. But if you have a credit card with a quarterly 5% cash-back bonus on restaurant spending, a $100 tab for you and four other people will earn back just $5. If no one pays you back, you might pay $95 for a meal instead of $15. You can rack up a lot of rewards buying groceries or gas and immediately repaying your balance, but just don't think you're breaking even.

Not Haggling

Just 10% of shoppers in a CreditDonkey survey negotiated the prices of items they bought all the time — while nearly a third never haggled and a quarter rarely haggled. That's a shame, as folks who haggled over electronics online, such as through a website chat box, saved $94 each time on average, according to Consumer Reports.

Having Only One Job

While the Bureau of Labor Statistics says only about 5% of Americans hold more than one job, that's considered a gross underestimate. It also doesn't mean that more people shouldn't take on extra work, as the extra income and added job security come in handy.

Falling Behind on Payments

Among credit card holders in a CreditCards.com poll, about 60% of those who missed a payment did so simply because they forgot. Not only does a late payment typically cost you a fee, but a late payment on credit cards, utilities, rent, or your mortgage can knock up to 100 points off your credit score, hiking interest rates and making everything more expensive as a result. There's a no-brainer solution: Automate your payments.

Using Credit Cards for Everyday Expenses

People tend to spend more when they pay with a credit card instead of cash, getting saddled with debt forcing them to pay even more in interest. Do yourself a favor and either pay with cash or debit cards or buy only what you can cover in a month.

Loaning Money to Untrustworthy Friends and Family

In the Fidelity survey, 18% of respondents said they experienced a financial setback in 2020 because they had to provide unexpected financial assistance to family members or friends. Unfortunately, people close to you may not feel like they have to pay back that money right away — if ever. Try not to allow repeat offenses.

Quitting Your Job Without a Plan

One-third of U.S. workers were thinking about quitting their jobs when they responded to a CNBC/SurveyMonkey poll in 2019. But if you're going in without a plan, you aren't shoring up your finances, you aren't making alternate arrangements, and you're setting yourself up for a worse existence than the one you're living. Think it through.

Staying at a Dead-End Job

At the same time, you don't want to stay in a job with no hope for advancement. If you're putting a lid on your earnings while preventing yourself from getting another more upwardly mobile gig, it might be time to start making financial preparations and looking around for other work.

Not Setting a Budget

Consumers who set a budget improve their mental health and well-being: Roughly 62% of budgeters felt "more in control" of their money, 55% felt more confident, and 52% felt more secure, according to a survey by the Certified Financial Planner Board of Standards. Roughly 70% of respondents had a budget, and 72% of those who did said it helped them get out of debt.

Never Setting Financial Goals

According to the Fidelity survey, about two-thirds of Americans make financial resolutions at the start of the year, and about a third said that setting clear and specific goals was key to successfully sticking to their resolutions. About the same number said it was important to be realistic and consider what would be easy to achieve over the long term.

Neglecting to Set Up a Financial Plan

Only 28% of respondents to a Charles Schwab survey had a financial plan in writing, whether because they didn't think they had enough money to merit a formal plan (46%), it was too complicated (18%), or they didn't have the time (13%). Yet, among those who did, more than 60% felt financially stable, compared with only a third of those without a plan. The planners also had better saving and investing habits.