1 Huge COVID-19 Money Mistake You Might be Making

Description

The year 2020 is one of the most troubling times in recent memory. Millions of people lost jobs or income. The deadly coronavirus forced businesses to shut down, and lockdown measures were necessary to prevent its spread. Aside from health, COVID-19 is also a menace to financial well-being.

When times are unsettling, discipline goes out the window. Many become careless with money due to financial stress and anxiety. If emotions take over during this pandemic, it could lead one to commit a huge money mistake.

Don't cash out your savings

Saving money is more challenging than spending it. In moments of crisis, people deplete their long-term or retirement savings instead of protecting them. It should be the last resort. Exhaust other options first to avoid ruining your financial goals.

The better approach is to avail of federal income-support measures where you're eligible. Don't waste your stimulus check on needless spending. The benefit can tide you over and enable you to pay for worthy expenditures such as food, rent, utilities, and debts. When all necessary expenses are met, put leftover money into savings.

If returning to work is uncertain, revisit and go through your budget. Identify the non-essential items you can cut back to reduce spending. Look for free entertainment activities instead of paying for subscriptions. Part of the game plan is to resist living on credit. Obtaining new loans will only worsen your financial position.

Boost your emergency fund

The goal during challenging times is to build or fully fund your emergency savings. If the fund is healthy and there's free cash to spare, consider stock investing. You can start small and gradually create lasting income from dependable dividend payers.

Cultivating the habit of saving and investing will be to your advantage in the long-term. You can endure economic downturns and be financially secure even in a deep recession. Remember that it's better to have little investment income than nothing at all.

Long-term hold

The **Bank of Montreal** (TSX:BMO)(NYSE:BMO) is the pioneer in dividend payments. This $50.13 billion bank has been providing banking services since 1817. In 1829 or 12 years after commencing operations, BMO began paying dividends. The practice did not stop and still ongoing in 2020. No Canadian company can match or beat the 191-year track record.

On September 24, 2020, Moody's Investors Service affirmed a stable outlook for BMO and its subsidiaries. The credit rating firm's affirmation reflects BMO's strong retail, small business and commercial banking services, particularly its franchise in the U.S. Midwest. Similarly, the favourable rating is due to a healthy balance sheet, solid liquidity, asset quality, and capital.

BMO shares are trading at nearly a 20% discount ($77.98 per share) and offering a high 5.44% dividend. A $20,000 investment will produce a $1,088 in passive income, while a $200,000 position will generate $10,880. Over the last 20 years, the bank stock's total return is 435.22%.

Overcome the contagion

The 2020 pandemic is a hard time for everyone. Aside from prioritizing health, it would help if you make smart money decisions. Increasing your financial security is of utmost importance if you want to overcome COVID-19's contagion.

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