3 Budget Mistakes Almost Everyone Makes

Description

It's a great time for Canadians to start going over their budgets and look forward to a new year. After all, that's when many of us like to start off our resolutions for a new year. But why do that in the new year, when you're going through holiday spending *right now*?

Instead, get ahead of the game and start creating that budget that could save you a ton of cash — especially after a year of poor stock performance, rising interest rates, and hammering inflation costs.

But before you go ahead and dive in, make sure you're not making these budget mistakes that practically everyone makes at one time or another.

Mistake #1: Spending money you don't have

Loans can be great. They're what you need when it comes to making those major purchases in your life such as a home or paying for university. These are enormous costs that can take years to pay off but are part of life.

However, there are other loans that really *aren't* necessary. And that's where many tend to make the mistake of adding into their budget the need to pay down loans. That might be credit cards loans or even car payment loans! I have news for you: if you need to make car payments, *you can't afford a car*.

In the case of this example, it's probably a far better idea to sell your car and buy a far cheaper, used version. Pay for it with cash and get rid of those payments all together. That alone will leave a ton of space in your budget moving forward.

Mistake #2: Leaving out emergencies

Let's say you get paid bi-weekly. Before you get paid, you buy the necessary items on your list, and then once you're paid, you pay down that credit limit. Do you see the problem I've identified here?

Right now, you're buying items *before* you've been paid. This is no way to live and is therefore living beyond your means. Canadians should only purchase items if they have enough cash on hand to *pay* for those items. What happens if an emergency cost such as a fender bender comes your way? Now you don't have a way to pay down those bills you've wracked up.

So, make sure you're creating a budget that will be able to fit with your spending habits. Furthermore, ensure that you're leaving enough behind for an emergency fund.

Mistake #3: Leaving out investments!

Let's say you calculate every single penny away and think, "There, I'm set!" You're making perhaps the biggest mistake of all by not planning for the future. Whether it's investing in your Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP), or both, every month, you should dedicate cash to put aside.

What's more, you should make sure you're making solid investments that will see you through decades of growth and income. A solid example would be investing in **Canadian Imperial Bank of Commerce** (TSX:CM). You could use the company's incredible dividend yield at 5.17% to invest back into CIBC stock and grow your portfolio even larger.

You can then watch your investments climb higher and higher, especially in the next year in the case of CIBC stock. Shares trade down 14% year to date and at 8.76 times earnings. So, you can lock in a great rate and look forward to passive income that lasts a lifetime and will be there waiting for when you reach your financial goals.

Bottom line

Use this time before the new year to get ahead. Invest in companies like CIBC stock that will bring in even more income for the new year. Don't take on loans you cannot afford. And make sure you're putting aside an emergency fund for worst-case scenarios. If you do, you'll certainly be going into 2023 stronger than ever.

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