Five More Money Mistakes To Avoid

Back in February, my column on 12 common money mistakes generated a lot of interest. As much as I wish that list of a dozen dumb moves was exhaustive, I'm back with round two.

My new list of money missteps comes with a bit of a twist: They're moves that men are more inclined to make than women.

I'm not blindly beating up the guys out there, just telling it the way I see it based on years of experience. Constantly talking to men and women about their money strategies has shown me that in a few key financial areas, there is indeed a gender divide.

Here's the latest list of blunders:

1. Funding early retirement with a home equity line of credit.

Given the big run-up in real estate values over the past five years, many of you are sitting on sizeable home equity. That's great. What isn't so great is that some equity-rich homeowners are hell-bent on living off that equity.

This seems especially alluring to men, who use the equity as an escape hatch. They feel emboldened to quit their jobs and not work. Or quit their jobs and start their own business. Or keep their jobs and use the home equity to buy that $60,000 sports car they "deserve" for working so hard. Essentially, they view their home equity as an ATM waiting to be tapped.

And this drives the woman in their life crazy. My email inbox and calls into my cable show are flooded with women trying to figure out how to tell their men they don't want to take on so much risk.

I'm with the women on this one. Using home equity as an open checking account is bad for your finances, to say nothing of the stress it adds to a relationship. Oh, sure, you only intend to use it to live off for a year. But don't kid yourself; more and more people -- especially men -- who leave the workforce choose to stay out, so they just keep draining the home equity.

The problem is that you can't bank on the notion that the tap will never run dry. Unless you've had your head in the sand all year, you're aware that we're in an official real estate cool-down mode. Home prices are moderating, and even falling a bit, in some of the markets that were the hottest just a year ago. That means slower equity buildup.

So it's foolish to plan on another round of huge home-value increases to give you even more equity to tap. If you run through all your equity and then still need more income to live off of -- or pay for whatever you bought with the tapped equity -- where is that money going to come from?

2. Not paying off the mortgage early.

Men tend to hate this idea. They love leverage, especially when it comes with a nice tax break from Uncle Sam. At the same time, most women will tell you the one security blanket that would make them feel safest is knowing they would always have a home to live in.

An alarming 46 percent of women respondents to a recent survey sponsored by Allianz Life Insurance Company of North America said that the prospect of becoming a "bag lady" weighs heavily on them. Women view their home as shelter; men view it as a tax shelter. So who's right?

Well, if you're living in a home you intend to stay in and are at least 50, I think paying off the mortgage early is one of the smartest moves you can make. For security, plain and simple.

Yes, you give up the tax break of being able to deduct the mortgage interest, but you also give up the responsibility of making a monthly mortgage payment. That's a huge weight off your financial shoulders in retirement.

My advice if you are 50 or over is to scale back on your 401(k) contributions so you invest just enough to get your company match. Then use the extra money that will show up in your paycheck -- yes, even after the fact that it's taxed -- to accelerate your mortgage payments.

Will you end up with less in your 401(k)? Of course, but you'll need a lot less because you won't be stuck paying your mortgage once you retire.

3. Neglecting to make a will.

So many women tell me they want to draw up a will and revocable living trust, but their husbands just don't want to talk about it.

I understand that contemplating death isn't easy, but if you want to protect your loved ones, it's absolutely necessary. Let's face it: We can only guess the direction of the Dow and what Ben Bernanke will do at the next Fed meeting (or six Fed meetings from now).

But one thing we all know for certain is that we'll die. And dying without a will and trust is just flat-out selfish; it creates major hassles for your loved ones, especially if you don't have a revocable living trust.

Without a trust, your "estate" must go through the probate system before any of your assets can pass to your heirs. That can take time and money, and it makes your financial affairs public record. With a trust, your assets pass seamlessly to your beneficiaries.

4. Refusing to take the investing long view.

I'm all for being on top of your investments and making timely changes in your portfolio. But men have a tendency to be quicker on the trading trigger that tends to hurt performance.

A few years ago, a study of the trading records of men and women revealed that while everyone tends to reduce their returns by trading -- versus a buy-and-hold strategy -- men traded 45 percent more than women, and in the process reduced their returns by about 1 percent more.

By the way, the same finance professors who conducted the study also found that the most active traders -- men and women -- underperformed the least active traders to the tune of more than 5 percentage points a year.

5. Assuming the role of the family's sole money manager.

In the Allianz survey, 38 percent of women respondents said that money was a cause of friction in their marriage. (Some good news: just 2 percent said sex was a problem. Phew.)

Typical topics of dissension were not enough savings, having too much debt, him spending too much, or her spending too much. It's interesting to note that while a small percentage of the women surveyed said their husbands handle the money decisions, a large percentage of men said that they did so.

If that's the case in your relationship, then you're completely out of sync as a couple. Not just because you give different answers to that question, but because the only correct answer if you want to stay happy is that you're both equally involved with money decisions.

Sure, you can divide all the various financial tasks, but at the end of the day you both need to be equally responsible for your money. Who earns it is irrelevant; when it comes to how that money is spent, invested and saved, however, there has to be a shared and

balanced sense of responsibility. If you aren't in synch on this, you're going to have relationship problems that no amount of money can fix.

Credit – Suze Orman