Dollar Scholar Asks: What Money Tips Are Actually Myths?

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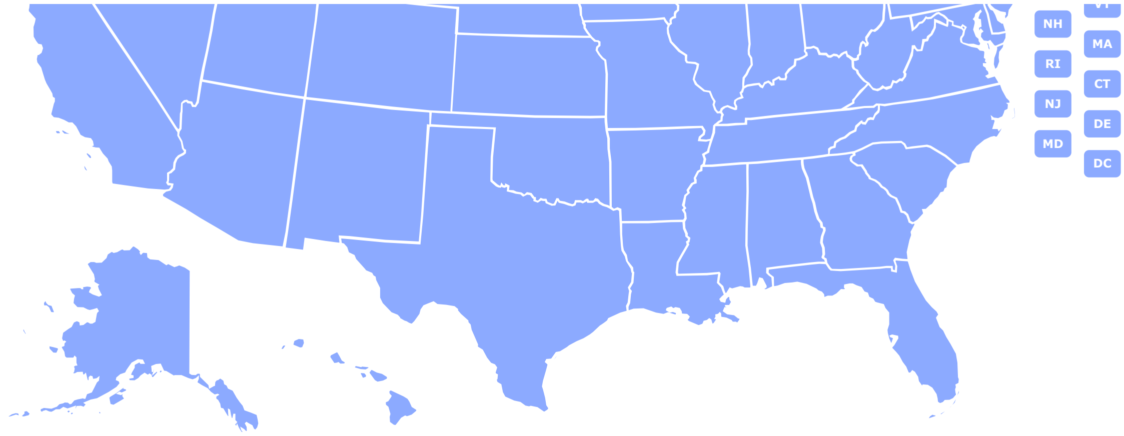
There are few things in life I enjoy more than flipping through channels and landing on an episode of *MythBusters* I've never seen before.

It's the perfect show. Like, Adam Savage's constant enthusiasm and tireless campaign to annoy the elegantly mustachioed Jamie Hyneman? The abuse of their crash test dummy, Buster? The *Star Wars* special where they tested the high ground theory? Chef's kiss.

I will watch *MythBusters* any chance I get. And because I'm such a big fan, I'm doing my own version today in this newsletter.

Money is full of myths. Even though it's impossible to give blanket financial advice without knowing the specifics of a person's situation, people do, often falling back on rules of thumb that don't quite hold water. So I asked a bunch of financial experts what their top money myth is — then asked them to bust it.



emer… preci… expenses.

Truth: "The appropriate level of emergency cash reserves varies widely from one person to the next. How secure and stable is your income? How many income streams does your household have? Do you have financial dependents? Do you own a home, and if so, is it an older home or a newer one? How many vehicles do you own? All of these factors will impact how much is sensible to hold in cash. In my experience, the correct amount of cash can be anywhere from one to two months of expenses all the way up to 12 or more months." — Andy Baxley, CFP at The Planning Center

Myth: In investing, cash is trash.

Truth: "While that was true in a low-interest-rate environment, with short-term interest rates [now] being in the 5% range, keeping an emergency fund or some assets invested in high-yielding **money markets** or short-term bond funds makes financial sense these days.

Diversification may not work every time, but it works over time.” — Thomas W. Balcom, founder of 1650 Wealth Management

Myth: Your primary goal should be to minimize taxes, always.

Truth: “Your taxes now (and in the future) should be part of a coordinated long-term plan to maximize growth opportunities, tax diversification in retirement, and **estate/gifting planning** needs.” — Catherine Valega, founder of Green Bee Advisory

Myth: Cutting expenses is the only way to get out of debt.

Truth: “Expenses are one part of the equation. And yes, reducing expenses and shifting that money to paying off debt is important. But also consider increasing your income, the other part of the equation. Assess if you could find a higher-paying position in your current firm or at a new firm. Another option is to find a second job or side hustle (whichever name you want to give it). With many opportunities available virtually, finding a job that will allow you to work when you want is easier." — Niv Persaud, managing director at Transition Planning & Guidance

Myth: Your allocation to stocks should be 100 minus your age.

Truth:"Aside from babies and teenagers, it results in percentages that may be way too conservative. In other words, for a 40-year-old, it would mean 60%; for someone who's 70, only 30%. If you ask me, 120 minus one's age would be more appropriate; however, as a CFP I believe that **asset allocation** should be custom-tailored according to relevant factors like desired rate of return, time frame [and] risk tolerance rather than some more-or-less arbitrary rules of thumb." — Peter T. Palion, founder of Master Plan Advisory

Myth: **529** college savings accounts are not flexible.

Truth: "Nowadays, you can use such accounts for college, K-12 tuition and trade schools, and you can use the account to pay down student loans. You can switch the beneficiary, and starting in 2024 even roll some of it into a **Roth IRA**." — Nick Holeman, director of financial planning at Betterment

Myth: You have to pay off your mortgage before you can even think about retiring.

Truth: "It might make sense to keep that low-interest **mortgage** around for a little longer. Think about it like this: Say you've got a mortgage with a 3% interest rate, but you can pocket a 5% return on [Treasury]-bills. What that means in layman's terms is that you're making 2% on money that's not even yours to begin with. Pretty neat, right?" — Jason Siperstein, president and wealth advisor at Eliot Rose

Myth: Having a balance on your credit card helps build up your credit score.

Truth: "The confusion stems from the fact that opening and using a **credit card** does build up your score. But you should pay off the balance in full every, single month. Better yet, automate the payment. There is no reason or advantage to accruing a balance. Instead it will cost money in interest payments and potential late fees and could negatively **impact your credit score**." — Kevin Brady, certified financial planner at Wealthspire

Myth: You can just get out of the market until things start to look better and then get back in.

Truth: "This is probably the most common and the most deadly investment 'strategy.' It is driven by fear and is sure to ruin your returns.

Trying to avoid the anticipated volatility seems logical and can sometimes work. Unfortunately, there are no clear signs pointing to the right time to get back in, and most investors will wait far too long and miss the market recoveries. Generally, if you wait until things 'look better' to get back in the market, you have missed it. **Time *in* the market** is always better than timing the market." — D. Scott McLeod, president of Brown Financial Advisory

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