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## Recovering from Financial Mistakes

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History tells of investors leaping from tall buildings during the Great Depression.<sup>1</sup> It was Black Thursday, October 24, 1929.<sup>2</sup> Newspaper columnist Will Rogers wrote: “When Wall Street took that tail spin, you had to stand in line to get a window to jump out of.”

Obviously, unforeseen financial (specifically, investment) mistakes were made, which led to the nation’s decade-long economic depression. Human history is filled with tragic tales that have led to some unfortunate decisions. But using tall buildings is certainly no solution to remedy a financial mistake. The adage is true: We all make mistakes, many of which are not necessarily our fault. However, you can easily trace back responsibility for mistakes such as buying a home that is too expensive, making ill-advised investments, not adequately saving for emergencies or retirement, or going into severe credit card debt.

So, how do you recover from financial mistakes?

**Forgiveness is divine.** Especially as it applies to your situation. Forgive yourself. You’re human. You made a mistake. Put it behind you. It’s in the past. Now plot your way forward.

**Reexamine your financial condition.** How bad is your situation? What are the potential long-term consequences? What steps can you take to mitigate the damage?

Here are some questions to help you analyze your current situation:<sup>3</sup>

- What are your current assets?
- What do you owe?
- What’s your income and expenditures?
- What’s your credit score?
- Are there any long-term ramifications?

**Set goals.** The financial mistake is now behind you. Now is the time to develop a road map into your future. Where do you want to go? What do you want to accomplish? Plot your course carefully and studiously.

Here is a useful system for setting goals using the acronym SMART. Your goals should be:

- Specific
- Measurable
- Attainable
- Realistic
- Timely

**Make an action plan.** The plan has to have some balance and a visible outlet. Paying off debt may be a worthy goal, but sometimes it can be no fun. Only the very disciplined and ambitious should pursue single-focus goals. A mix of goals builds more longevity into your plan. Positive goals, like saving for retirement, provide measurable reinforcement. You can see your progress.

**Time for reflection.** Making your way forward to recover from past financial mistakes certainly feels right. But watch for those old road signs, the traps and temptations that led you astray in the first place. Monitor your behavior and emotions so that you can avoid falling into the same patterns that led to the bad decisions and the negative consequences.

If you would like to discuss your current financial plans and goals, we're happy to talk.



### **IRS Provides Helpful Tools, Resources for Retirees\***

The IRS provides resources to people who have recently retired or who are planning to retire. The resources can help taxpayers with challenges and tips to prepare for retirement.

Here are some links with information for retirees.

- “The Individual Arrangement FAQs – Withdrawals” answers basic questions about retirement account withdrawals: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>.
- “Publication 915” provides an in-depth look at Social Security and Equivalent Railroad Retirement Benefits: <https://www.irs.gov/pub/irs-pdf/p915.pdf>.
- “The Interactive Tax Assistant” provides answers to questions about taxes on Social Security and Railroad Retirement Tier I Benefits: <https://www.irs.gov/help/ita/are-my-social-security-or-railroad-retirement-tier-i-benefits-taxable>.
- “Publication 575” discusses pension and annuity income: <https://www.irs.gov/forms-pubs/about-publication-575>.
- “Publication 590-B” examines distributions from individual retirements accounts: <https://www.irs.gov/forms-pubs/about-publication-590b>.
- “Retirement Topics” delves into required minimum distributions: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>.

- “Publication 721” is a tax guide to U.S. civil service retirement benefits: <https://www.irs.gov/forms-pubs/about-publication-721>.
- “Retirement Savings Contributions Credit” explores eligibility for credits for contributing to retirement accounts: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>.

Other details may apply, and you can find more information on the IRS website.

\*This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from IRS.gov<sup>4</sup>

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<sup>1</sup> <https://www.history.com/topics/great-depression>

<sup>2</sup> [https://www.washingtonpost.com/archive/opinions/1987/10/25/the-jumpers-of-29/17defff9-f725-43b7-831b-7924ac0a1363/?utm\\_term=.b27d573c3cf3](https://www.washingtonpost.com/archive/opinions/1987/10/25/the-jumpers-of-29/17defff9-f725-43b7-831b-7924ac0a1363/?utm_term=.b27d573c3cf3)

<sup>3</sup> <https://financialmentor.com/financial-advice/financial-crisis/6-steps-to-recover-from-financial-disaster/2365>

<sup>4</sup> <https://www.irs.gov/newsroom/retirees-can-visit-irs.gov-for-helpful-tools-and-resources>