

Financial things that should scare you

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BAD money decisions can give you a bigger financial fright than the scariest Halloween horror movie.

Whether you are borrowing, investing or repaying debt, the potential for painful losses is always lurking, but experts say knowing the pitfalls is the first step in avoiding problems.

Here are five scary moves that can leave lifelong scars.

IN-STORE CREDIT DEALS

Interest-free loans for appliances and other large items seem attractive but can later shock you with extremely high interest rates if you don't repay it all within the interest free period.

Consumer finance specialist Lisa Montgomery says your good intentions in the "euphoric moment of buying an item" can quickly become a nasty reality check.

"A lot of people end up paying in extreme excess of what they should," she says.

BALANCE TRANSFER BLUES

Zero per cent balance transfer credit cards are all the rage, but consumers can get bitten if they fail to destroy their previous high-interest card.

"A lot of people will keep it in a drawer, and there's temptation to get it out and use it again," Montgomery says. "They may use it for a once-off and all of a sudden it's back in the wallet and opportunity's knocking."

DEBT MOVES

Consolidating several loans into your low-interest mortgage only makes financial sense if you remove the temptation to spend up big again, and you continue making repayments at a similar level to pre-consolidation repayments.

Montgomery says spreading a consolidated debt load over 25 years while making only minimum repayments means you will pay thousands of dollars more in total interest.

SPECULATIVE INVESTING

A hot share tip from a friend is no way to grow wealth. Placing big bets on small companies, – typically mineral explorers – can have disastrous results.

"There's investing and there's speculating, and the problem is that most people think investing is speculating," strategist Theo Marinis says.

PUSHY PROPERTY

Buying a house before selling your existing property can lead to legal issues and two massive mortgages.

"You don't know how much you are going to get for your property, or if the market is going to suddenly drop," Marinis says.

