5 Financial Red Flags That Can Sink Your Family

The joke—and it's an old one—goes like this: Fred receives a windfall of $1,000. He asks a friend what's the best thing to do with his money.

"Open a checking account," his friend said. "Then, whenever you need some money, you just write out a check."

Fred thinks that is a great idea and does exactly that. A few weeks later, he receives a letter from the bank saying, "You have an overdraft of $273."

So Fred goes in and meets the bank manager.

"What's an overdraft?" Fred asks.

"Well," the banker replies, "I'll keep this straightforward. It means that you owe us $273."

"No problem." Fred responds. "Do you accept checks?"

The story may sound absurd, but we're doing exactly what Fred tried to do every time we extend our credit a little more. We're sinking deeper and deeper.

Keep your family's head above water by watching out for these 5 financial red flags that can sink your family:

1. You have no budget. If you're saying, "What's a budget?," that's an extra red flag! Do you know how much you earn? Do you know how much you spend? Is there a plan? These questions must be addressed if financial peace has even a chance. The cliché that applies here: "If you don't know where you're going, you'll probably end up somewhere else."

2. You find yourself agreeing with the commercials. Do you want everything you are told you “need”? Are you tempted that “more” will satisfy? If you’re not satisfied, then that’s a sign you’re pursing the wrong treasure. More of something that doesn’t satisfy is never going to be enough. It’s time to reevaluate.

3. Your credit card balance is going up, not down. Try this simple equation: Always pay what you spent the previous month, plus one twelfth of the balance. It’s a great way to drive the balance down. If that sounds too hard a plan, then revisit No. 2.

4. You and your wife argue about money constantly. If money has become a relationship issue, then you must be running too close to the wire. Your marriage does not benefit from that level of stress. If there are any questions regarding expenditures, then see No. 1 above.

5. You “can’t afford” to give to your church or favorite charity. Many times, we plan to be generous “when the money is better.” The ability to give is more than a convenience—it’s critical for the balanced life.

What other red flags can you identify? Share with the AllProDad community.

Huddle Up: Take Monopoly money, give your kids the amount of a monthly paycheck and have them pay you for the amount of each monthly expense.

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