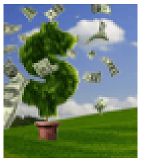
SMART SPENDING

Time is money -- so is patience

By Aviya Kushner • Bankrate.com



Highlights

Patience means taking time to consider all aspects of a mortgage loan.
It's almost always a mistake to jump at a job when it's first offered.
Dumping an investment plan because of one bad year is a huge mistake.

Time may be money, but a little patience can pay off big time when buying a home, looking for a job or investing in the stock market. The lack of patience can cost you -- often for years to come.

"If it weren't for impatience, we wouldn't have this whole mortgage crisis," says Carolyn Warren, a veteran mortgage broker and author of "Mortgage Rip-offs and Money Savers: An Industry Insider Explains How to Save Thousands on Your Mortgage or Re-Finance."

"We live in a society of fast and easy," says Warren. "We want to lose weight fast and easy, and it's become a big marketing thing." Some people are applying this principle -- rather recklessly -- to finances.

"People say, 'I don't want the starter condo; I want a big house. I don't want to save for a down payment; I want zero down,'" Warren says.

Patience in mortgage shopping

If you're house hunting now, keep quality of life in mind, Warren says, and be patient enough to secure a comfortable mortgage. Mortgage shopping should come well before actual house hunting, and patience is essential, she says. For starters, don't fall into the trap of not comparison-shopping.

First, get your credit report and score pulled. Then provide the three lenders with your score, the proposed purchase price of the home and the amount of down payment you will make. Then "all you have to do is ask three people -- I recommend two mortgage brokers and one banker -- one smart question," Warren says: Will you give me a good-faith estimate? Don't file a full application -- and possibly lower your score -- until you get your best answer.

"If they won't do that, move on to someone else," Warren says. "Why should you give all your information without knowing how much it costs? The ones that aren't good won't provide it for you."

Another way to exercise patience: Take time to look at more than just a mortgage rate to consider. "You need to look at the overall picture of a loan -- all the fees that go in." How long you plan to stay in your next home is the No. 1 factor in deciding between zero points or a lower interest rate, Warren says.

"You can come out ahead in two and a half years, or four years, and if you love the house and think you'll stay for 10 years, or until you retire, why take a high rate and pay more in the long run?

Above all, don't just focus on one detail, Warren says, whether it's rate, origination fees or points.

That may be the common theme to financial goofs caused by impatience -- focusing on one point, like yesterday's stock price, a mortgage rate or a fancy job title, instead of the overall picture.

Patience in job seeking

Your quality of life can improve if you bring a little patience to other financial dealings, too.

When someone offers you a job -- especially in a weak economy -- your first instinct may be to yelp, "I'll take it!"

That's almost always a mistake, says Deborah Kolb, co-author of "Everyday Negotiation: Navigating the Hidden Agendas of Bargaining" and a professor at Simmons College in Boston, who specializes in negotiations.

"I would never say yes in the moment," Kolb says, "so in that sense, patience is really important."

What you want to do is show enthusiasm, while not leaving money or perks on the table. "It's good to signal your interest," Kolb says; every employer wants an employee who wishes to be there. But a better script is, "'Yes, I'm interested, and here are some things I need to think about,'" she says. "And when you come back, you say, 'Yes I'm interested, and here are some things I need.'"

What matters most is your ability to be happy and successful in a job, so you don't end up looking for a new gig in six months.

"In these economic times, people can feel a little more desperate, so they may not negotiate what they really need to succeed," says Kolb. You should consider things like staff size, timing flexibility and equipment you may need to do a quality job. Make sure you state your case for those things before saying yes.

You should also exercise patience by learning about the company's situation when negotiating, Kolb says.

"You need to know why they're picking you for the job -- why you, why now?" she says. "Do you have specific skills? Do they have other people who could take the job?" If so, or if you're a new college grad in this shaky economy, you may decide to move more quickly. In those cases, "I'd be inclined to say yes sooner, but I'd also like to talk about what happens when things turn around or if I succeed," says Kolb. "Will there be a salary readjustment or a bonus?"

While economic uncertainty generally puts job seekers in less powerful positions, it's not true for everybody -- not people with deep expertise, she says. And remember, a weak economy usually doesn't last forever.

One situation where patience matters is when there's an "invisible third person" involved, says Mary B. Simon, author of "Negotiate Your Job Offer: A Step-by-Step Guide to a Win-Win Situation." That's when the person you're negotiating with isn't the one with the power to make a final decision.

Going back and forth with an "invisible" decision-maker can spell delays. Recognize that it's just the process and not how that company feels about you.

Of course, patience matters substantially when you need to create a path to the job through significant networking, Simon says. Your network-cultivation fest "might yield a dividend today, but more likely in six months, or 12 months, or 18 months," she says.

The patient networker is the profitable networker.

Patience in investing

With millions of people smarting from investment losses, the old wisdom of buying a good company and holding on has been taking a beating in many quarters.

But Charles Carlson, editor of The DRIP Investor newsletter, which covers dividend reinvestment plans, and author of "The Smart Investor's Survival Guide," says the term "buy and hold" is often misunderstood.

"I've always thought that the term 'buy and hold' is bastardized," he says. "It does not mean never sell. It means you are buying with the intent of being long-term."

It means you have an investment process: You do your research while remembering things can change. Knowing exactly why you purchased will help you sell -- or curb the urge to sell.

"If you do your work on the front end, on the buy side; if you know exactly why you bought a stock, and if the reasons are no longer valid, then you can sell," says Carlson. "Unfortunately, people buy on reasons like stocks are going up or my friend told me about this."

A jumpy, impatient attitude can hurt you with increased trading fees and, potentially, more tax liabilities, Carlson says.

Then there's the huge cost of potentially missing a big winner. "When you look at most portfolios, most people tend to make their money off two to three stocks that have really gone gangbusters over a long period of time," he says.

"It's the 80-20 rule," he says. "Eighty percent of gains can come from 20 percent of holdings. The stocks that will truly make you rich are the ones you hold for a long period of time, and the reasons you have them are still valid."

Carlson advises against reaching drastic conclusions because of a disastrous year. "To rewrite your playbook because of a year where nothing has worked is a huge mistake," he says. "If patience has worked for you in the past, it will work for you in the future."

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