5 Money Rules You Should Not Always Follow

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When it comes to managing your money, there's no shortage of rules to follow. From saving a certain percentage of your income to not racking up debt, to diversifying your investments, it's easy to find guidelines that are meant to steer you toward a life of financial security.

Yet there are times when well-meaning financial advice isn't so great. Perhaps the person sharing his or her wisdom is out of touch with current financial realities, like a well-meaning but misguided parent. Or maybe an otherwise sensible rule of thumb doesn't apply in a certain situation. Unfortunately, if you always follow the conventional money wisdom, you may end making some big financial mistakes.

Here are five money rules that it's sometimes OK to break.

1. Never take a pay cut

A better version of this rule might be "never take a pay cut without a good reason." While you don't want to sell yourself short, the reality is that careers don't often move in a totally straight line. To get to where you want to be, you may need to take a few detours along the way, which might include settling for a slightly lower salary.

If you're switching careers, in desperate need of a job, or moving to an area with a lower cost of living, a pay cut may be inevitable. Or you may decide the growth potential, benefits, or more collegial or less stressful working environment at a new job is worth the lower salary. While a smaller pay check is never fun, it could help you get ahead in the end.

2. Stop spending money on frivolous things

If there's one nearly universal piece of financial advice, it's this one: Stop spending money on frivolous stuff you don't need. It's advice that makes sense for a lot of people, especially those who are up to their ears in credit card debt and can't save because of out-of-control spending.

But it's easy to take the no frivolous spending rule too far and end up feeling guilty about all but the most necessary purchases. Does anyone really need a $5 latte or a six-pack of premium microbrew? No. But sometimes those extras are worth it. That's especially true when you're spending money on experiences, not things. The former are more likely to increase your happiness than the latter, research has shown.

"If you splurge too often, you're going to lose your focus on saving for your emergency fund or other goals," Maggie Baker, a Philadelphia-based psychologist who specializes in money issues, told LearnVest. "But if you don't ever splurge, you're going to feel frustrated and defeated and think, 'This is no fun.' You don't want to spend too much — or be scared of spending anything."

3. Buying is always better than renting

For years, the conventional wisdom was that you shouldn't throw your money away on rent when you could be building up equity in a home of your own. But changes in the housing market mean that buying a home is no longer a sure-fire way to accumulate wealth.

According to the most recent Beracha, Hardin & Johnson Buy vs. Rent Index, high real estate prices in several major U.S. cities including Dallas, Denver, and Houston mean that many people are better off renting than buying. In cities like Miami, Pittsburgh, and Seattle, it's a toss-up between owning and renting.

While buying a home can be a kind of forced savings for some, it also means less flexibility and comes with additional costs like homeowners insurance, property taxes, and repairs. For people who aren't ready to settle down yet, there's no shame in not owning your own home, especially if rents are reasonable where you live and you're building wealth in other ways.

4. Don't quit your day job

Giving up a sure thing in order to chase your dreams is a risky proposition, which is why parents, well-meaning friends, and many career experts will urge you not to do it. But if you can survive financially and have a clear plan for what you want to accomplish, you may need to take a leap of faith and quit your job if it means a chance to do what you really love.

"The biggest reason people don't end up quitting is the fear of uncertainty. They don't know what might happen and they don't want to give up the security that they already have," Sean Ogle, who quit his job in finance to move to Thailand and start his own business, told Entrepreneur.

But before you give your full-time job the heave-ho, you need to be prepared. If you're planning to start your own company, that means taking the time to do market research, develop a business plan, and even running your business part-time on the side for a while to make sure it's viable.

5. Pay off debt before you start to save

Common sense suggests that it's better to eliminate your debt before you focus on saving. Squirreling away money in a savings account that earns paltry interest won't help you get ahead if you have thousands of dollars in high-interest credit card debt.

Still, there are times when you need to prioritize saving over debt repayment, like when you need to build your emergency fund. Saving just enough to get your employer's matching contributions to your retirement account may also be a smart move, even if you owe money. Finally, making only the minimum payments on cheap, low-interest debt may be fine if you're investing the difference in ways that will earn you greater returns.

"You have to set your priorities … and understand the consequences to either paying debt first or saving money first," Dean Barber, the president of the Barber Financial Group, told Bankrate.

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