7 things people think are terrible for their finances that actually aren't

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I remember being terrified when I got my first credit card at 20 years old. And I was reluctant to get a second one a few years later.

Won't this derail my credit score and make me look irresponsible with money?, I wondered, even though I never came close to the credit limit and paid off my balance in full every month. It scared me to have the power to spend money I didn't technically have.

Then a friend told me she had six credit cards and no debt. Turns out, having multiple credit cards is actually a smart move, despite my believing for years that it would kill my financial stability.

Below, Business Insider breaks down more common personal finance myths - good news: you're not "wasting money" if you're renting - so we can all stop believing some things are terrible for our money when they really aren't.

1. Conquering smaller debts first

Despite the conventional wisdom that paying down high-interest debt should always be prioritized, research from the Harvard Business Review suggests otherwise.

Strictly looking at the numbers, it's smartest to pay down the accounts that carry the highest interest rates first. That way, you're staving off as much interest as possible and don't end up owing even more. But HBR researchers concluded after a series of experiments that it was more motivating for participants to see small balances disappear.

"Focusing on paying down the account with the smallest balance tends to have the most powerful effect on people's sense of progress - and therefore their motivation to continue paying down their debts," writes Remi Trudel, one of the HBR researchers.

Personal finance blogger Derek Sall is a fan of the so-called snowball method, which he used to pay off roughly $100,000 worth of debt (including his mortgage).

"I suggest that people pay off their debts from smallest to largest and ignore the interest rates entirely," he writes on his blog. "Sure, that 18% credit card debt might freak you out like crazy. But if you tackle the smaller debts with intensity like I know you want to, you'll get to it sooner than you think - and then bust it out sooner than you ever thought possible!"

2. Keeping finances separate from your partner

One of the most important conversations to have before marriage is the money talk. What's the status of your partner's financial life? Are they overcome with debt? How much do they have saved? Are they investing? For some couples, these questions are the preamble to merging finances, but that's not the case for everyone.

A conscious decision not to share a bank account is perfectly fine, as long as you're not hiding anything from your partner. As Business Insider's Shana Lebowitz reports, there are many cases where it could be smarter to keep finances separate in a relationship, like if one partner is much better with money than the other or if you're blending families. But regardless of whether you share an account or not, it's crucial to have an ongoing open and honest discussion about your money habits and goals.

Another option, suggests Sophia Bera, CFP and founder of Gen Y Planning, is setting up a "yours, mine, and ours" system. That is, a joint account for household expenses and separate accounts to maintain some individual freedom.

3. Renting rather than buying

Although many financial experts laud the long-term benefits that come with homeownership, don't think you're wasting money if you're renting.

"I think for young people, renting is underrated," wealth manager and blogger Ben Carlson told Business Insider. "When you're young, renting gives you more options. People say they don't want to pay someone else's mortgage, but I think especially when you're young and not tied down, it gives you the ability to pick up and move to another city for a job - a little leeway. A house is much more expensive than people think. It's more than just a mortgage."

Indeed, unlike homeowners, renters don't pay real estate taxes, HOA fees, mortgage interest, or maintenance costs. But keep in mind that real estate markets vary greatly from city to city, so it could be cheaper to buy than rent in some cities, and vice versa. Ultimately, whether you buy or rent, you'll want to aim for a total monthly payment that's less than 30% of your income.

If you're grappling with the decision to rent or buy, check out this flowchart to help you figure out what makes the most financial sense for you.

4. Accruing debt

The notion of being in debt isn't inherently attractive. No one likes to owe someone money, or anything for that matter.

But being debt-free isn't all it's cracked up to be. In fact, consider two cases where going into debt could actually help you get ahead: Financing an education and buying a home.

"The income advantage provided by post-secondary education makes student loans one of the few forms of debt that can pay off for the borrower over time," reports The Motley Fool's Todd Campbell. "Additionally, interest on Federal student loans is relatively low, and often, that interest can be deducted on your taxes." Payments for this debt can also be paused if you're in a financial emergency, or forgiven completely in some cases, like if you're a public-service worker.

Likewise, if you can get a good interest rate on your mortgage that'll keep your monthly payments at or below 30% of your income, you're in good shape to build some equity over the long-term. You can also deduct mortgage interest on your taxes.

The bottom line: Going into debt isn't bad if it can unlock a clear financial gain.

5. Having multiple credit cards

It may seem financially reckless to have a wallet full of credit cards, but it's actually smart - so long as you're paying your balances off in full every month.

According to John Ulzheimer, credit expert at CreditSesame.com, having a single credit card can damage your credit score, thanks to something called your credit utilization ratio - that is, how much of your available credit you're actually using.

"That percentage is very, very influential in your credit score," explains Ulzheimer. "People say that you're in good shape if you keep your utilization within 50% of your available credit, or 30%, but really, it should be below 10%."

Available credit counts all the cards you have: If you have one card with an $8,000 limit and one with a $6,000 limit, your total available credit is $14,000, even if you only spend $1,000 a month. With a single card, you have no unused credit cushioning the impact of your spending. The closer you get to your limit, the harder the hit on your credit score.

6. Spending without a budget

Budgeting can be an incredibly useful tool for some people, especially reckless spenders. But that doesn't mean it works for everyone. It's still possible to be financially responsible without a hardline budget.

"People will try and go on a budget and then after two or three months, they lose their mind, they hate it," bestselling author and self-made millionaire David Bach told Business Insider.

Bach likens budgeting to dieting or exercising: If it's not enjoyable, the chances that you'll stick with it are pretty slim. But if you're not a fan of budgeting, you should at least be tracking your spending through sites like Mint or Learnvest, or create a customized spreadsheet. This frees you from any guilt that might bubble up should you fail to follow a budget, and instead allows you to spend as you normally would and make adjustments where appropriate.

You should also get on board with the pay yourself first plan, he says. Anytime you get paid, put money into your investments, retirement savings, and emergency fund before anything else. Even better, make this transaction automatic so you don't even have to think about it. Then you're free to use the rest of your paycheck for bills, groceries, and other expenses after you already have at least 20% put away for yourself.

7. Investing when you're not an 'investor'

Though it may seem intimidating, investing is anyone's game. You don't have to be a stock-picking genius or a earn a massive paycheck to make great returns over the long term.

In fact, according to John C. Bogle, the legendary founder and former CEO of the Vanguard Mutual Fund Group, the best way for the average person to make money in the market is to invest in index funds.

The "classic index fund," which he defines as holding many, many stocks, and operating with minimal expenses and high tax efficiency, works for two main reasons: They're broadly diversified, which eliminates individual stock risk, and they're low cost.

"It is a simple concept that guarantees you will win the investment game played by most other investors who - as a group - are guaranteed to lose," Bogle writes in his book "The Little Book of Common Sense Investing."

You can start by opening an account online with Bogle's company, Vanguard, and invest in their index mutual funds, which charge relatively low fees for investing directly (an average of 0.13%).

Always remember that in the long-term, you're better off being in the market, even a volatile one, than staying out of it.

Emmie Martin and Kathleen Elkins contributed reporting.