

# VASFAA Conference 2017

## The Psychology of Money

*Casey Wallen*

*Spring 2017*



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## Agenda

- ☞ What is the Psychology of Money Anyways?
- ☞ Mind over Money (or Money over Mind?)
  - “Does Money Make You Mean”?
  - “How to Buy Happiness”
  - “A Monkey Economy as Irrational As Ours”
- ☞ Implications on Financial Literacy Efforts
- ☞ Further Reading



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## What is the Psychology of Money?

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## Uncovering Your Money Mindset

### Why You Need to Uncover Your Money Mindset



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## A Variety of Thoughts and Opinions

“The Psychology of Money”

“The psychology of money is how our beliefs, expectations, and feelings influence our financial behavior, success, and disappointment. This means that financial success is an “inside job” and is more determined by what’s between our ears and inside our hearts than what’s on the outside. The psychology of money helps us to become more aware of our money scripts, how we may be sabotaging ourselves and how we can re-write those scripts to create more success.”

-Dr. James Gottfurcht, Founder and President of Psychology of Money Consultants

Source: <http://www.psychologyofmoney.com/>



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## A Variety of Thoughts and Opinions

“The Psychology of Money”

“ [W]e are profoundly psychological beings- it is our minds that make us what we are- and money is a mental construct, that doesn't exist beyond our idea of it, but on which we now depend for most of the things we need to live.”

- Claudia Hammond, “Mind Over Money”

Source: “Mind Over Money” The psychology of Money and How to Use it Better. 2016.



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## A Variety of Thoughts and Opinions

“The Psychology of Money”

“Your friends are idiots. Their personal finances are a mess, they’re delusional about their spending, and most of them don’t even max out their 401(k). The problem is: you’re probably just like them...[o]ur psychological makeup works against us, giving us reasons to put off exercising or eating healthier. The same behavior causes us to delay setting up our savings plan, and makes us overpay on big-ticket items, even though those decisions cost us thousands of dollars.”

-Ramit Sethi, *I Will Teach You To Be Rich*

Source: <http://www.iwillteachyoutoberich.com/psychology-of-money/>



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**Mind over Money (or  
Money over Mind)**

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## Does Money Make You Mean?

### Does Money Make You Mean?

*Paul Piff*

Source: [https://www.ted.com/talks/paul\\_piff\\_does\\_money\\_make\\_you\\_mean#t-29477](https://www.ted.com/talks/paul_piff_does_money_make_you_mean#t-29477)



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## Questions:

What are your initial thoughts to this experiment?

Have you seen this play out in your own life?

How might this thinking impact our financial education efforts?



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## How To Buy Happiness

### How To Buy Happiness

*Michael Norton*

Source: [https://www.ted.com/talks/michael\\_norton\\_how\\_to\\_buy\\_happiness#t-38570](https://www.ted.com/talks/michael_norton_how_to_buy_happiness#t-38570)



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## Questions:

Think about your own experiences spending money. Do you feel happier when spending on others vs. yourselves?

How could this impact our approach to talking about financial education?



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## A Monkey Economy as Irrational as Ours

### A Monkey Economy as Irrational as Ours

*Laurie Santos*

Source: [http://www.ted.com/talks/laurie\\_santos](http://www.ted.com/talks/laurie_santos)



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## Questions:

What choice would you make? How does our risk adverse nature impact financial choices?

How would this impact your financial literacy efforts?



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## Implications on Financial Literacy Efforts

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## Your Personal Preference

#1: Are you a Saver or Spender?

Your answer to this question could impact your approach to talking about money (even if you have set content)!



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## Your Personal Preference

#2: Are you a Risk Taker or Risk Adverse?

Imagine you are speaking about investing. How would your personal preference influence your language?



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## Your Personal Preference

#3: When it comes to finances,  
do you hope for the best or plan for the worst?



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## Your Personal Preference

#4: When facing financial decisions (both small and large), do you lead with your heart or mind?

We typically have a default. Some of us let our emotions drive our decisions. Others of us take a more rational, structured approach. Which one are you?



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## Further Reading

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## Further Reading

- ☞ *Mind Over Money: The Psychology of Money and How to Use it Better.* Claudia Hammond
- ☞ *Predictably Irrational.* Dan Airely.
- ☞ *Happy Money: The New Science of Smarter Spending.* Dunn, E. and Norton, M.
- ☞ *Scarcity: Why having So Little Means So Much.* Mullainathan, S. and Shafir, E.
- ☞ *The Psychology of Money.* Furnham, A.



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