

The Jolly (Spending) Season!!



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WE ARE now well and truly into the festive season. Personally speaking, I am truly looking forward to it! After a couple of challenging years, we are all about ready to get some well-deserved R&R with friends and family.

For many, the festive season can also bring on a lot of anxiety from the pressure of preparing for the celebrations and the financial burden of making it a memorable year for kids, family, friends!

Last year, Australians spent over \$24bn on credit cards over Christmas. By all counts, we are set to record another huge year of spending over the holidays!

The introduction of buy now and pay later schemes (Afterpay, Zip Pay) has not helped matters.

While spending is not bad, consistent overspending is problematic for obvious reasons. Changing this imbalance between your inflows and outflows does not need to be a complete overhaul of how you do things.

Like most other things, small incremental steps can make a world of difference.

Understanding your mind's motivators (psychology), the why behind the what can go a long way to help you:

- The "Doing Nothing" Psychology: We all have the best intentions to do something that benefits us – move to a cheaper internet service provider, change to a more economical phone plan – but we don't, because it is easier to simply keep things how they are.

Countering this is all about reprogramming your brain to do something repetitively. It can be something small – review your credit card statement every month, put some \$\$ aside each month. Get into the habit of doing this so it won't feel like an effort to change things.

- "Let me live today" Psychology: Making decisions based on today, not tomorrow. While it is easy to make a decision based on where we are now and what we know today, this can come at a huge cost. This thought often manifests as – I don't have enough funds to retire so we will just spend to enjoy today!

Practising delayed gratification is something that will help overcome this

– but it is a balancing act to make sure you still enjoy today but not at the cost (or acceptable cost) of tomorrow. Budgeting is a great tool to overcome this behaviour.

- "I don't want to know what is going on" Psychology: We do not track and monitor our spending patterns. For instance, if we tracked our credit card balance, we may identify that we have exceeded our budget or even the usual amounts we spend and not continue spending. Simply keeping on top of your credit card expenditure and bank account balances will help you to pause and reconsider the expense before your swipe that credit card again.

- "Eyes on the ball" Psychology: While it is important and great to keep your eye on the goal, don't forget the journey is important too. Recognising and appreciating the progress you have made on the way to your goal is a huge motivator to keep you on track.

That is why often, one would pay down the smallest debt, then the next one and so forth.

We feel a sense of achievement ticking off the items on your list – same with your financial goals.

- "Not big enough to celebrate" Psychology: We need to celebrate our small wins to help us get to the big goal!

When you don't do this, you do not reinforce your own positive behaviour.

Our brains respond better to rewards thanks to the release of Dopamine and that spark of happiness keeps us motivated to continue on our path.

So, it is a good idea for you to consider milestones along the way to achieving some big goals and celebrating when you reach those.

Remember improving your spending habits and building a savings buffer takes years of diligence and a disciplined approach to setting aside funds for your goals and investing. Although our brains sometimes make it harder than it should be, it is achievable by recognising these behaviours and tweaking them! Being aware of these behaviour patterns is the first step.