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# Don't fall for it! **FOUR FINANCIAL MIND GAMES**



*The last time you made a big financial decision, can you recall if you were feeling rational and calm about it? Had you done enough research and compared all your options? Did you reach the conclusion that it made sense, and was in line with your long-term plans?*

If you can answer yes to all those questions, then congratulations! Unfortunately, many of us would not be able to do so. Sometimes our brain tricks us into making decisions for the wrong reasons, which may not be in our best interests.

## **WHO KNEW OUR BRAINS COULD BE OUR OWN WORST ENEMIES?**

Awareness is the first step to making smarter choices, so let's have a look at some sneaky traps your brain to trick you with.



### **Remembering the first or the most recent number**

A study conducted in restaurants showed that, simply by listing more expensive bottles of wine first, people were more likely to buy them, rather than the cheaper option.

Sometimes our brains are too tired to wade through all the options, and we are paralysed or overwhelmed, and we just panic and pick something.

If you start feeling like it's all too much, rather wait! Sleep on your decision and come at it fresh the next day. Often, a good night's rest helps you to process what you really want – and should – be doing.



### **If it ain't broke don't fix it**

Sounds like good advice, right? Not always. Sometimes the thing that is familiar and safe is actually not doing you any good. Think of the seven streaming subscriptions that you hardly ever use, or the fitness app that you promise you are going to start using any day now.

When it comes to investing, the safer, more familiar investment might not be earning high enough returns for what you need, and your age. Sometimes, more risk and less safety is actually better for long-term rewards.



## Bad experiences stick around longer than good ones

How often do you write a review when you were happy with the service? Not as often as when the service was bad, right?

Picture these two scenarios:



You win R1000  
playing the Lotto.



You get scammed out of R1000  
on a dodgy online shopping site.

Which of these will you still remember and talk about in 6 months' time? Probably the bad one. Similarly, when it comes to investments, you will probably remember the bad times more than the good, and that might scare you off. But often, the trick when it comes to investing is actually to ignore everything and just leave it alone. And remember: no news IS good news.



## Money is money is money

When you get a tax rebate, or a performance bonus, do you immediately invest it or put it in a savings account? If you do – again, congratulations, and also, are you a saint?

Most of us see rebates and bonuses and other unexpected sources of cash as **FREE TO SPEND ON WHATEVER I WANT** money. This is probably the most difficult one to overcome, as it takes enormous mental discipline to know that, in twenty years or so, we won't remember where our money came from or what we spent it on – only that, we have X amount of income, and it's either enough... or not.

**So, what should you do about all of this?** Reflect honestly on your own emotional triggers when making financial decisions. Are you avoiding better habits out of laziness? Fear? Being stuck in a rut? Do you buy things impulsively or out of impatience? Try to make choices that support your real motivations – for the sake of your future self.



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