

THE PSYCHOLOGY OF MONEY, PART I: ON SPENDING

Money is an inanimate object, yet it has the power to affect our thoughts, actions and even our sense of self. In so doing, it has the capacity to influence how we behave on both sides of a financial transaction. This issue considers the spending side of a financial equation. The next issue will consider the receiving side of a financial equation.

Psychologically, there is a "pain" associated with spending. We regard the money in our wallets and bank accounts as our hard-earned cash, irrespective of whether it came to us via income, dividends, interest, capital gains or gifts. Either way, we enjoy receiving the benefits of a purchase, but experience a psychological pain in parting with the money needed to pay for those purchases. That pain is most pronounced when we pay: (1) in cash; (2) in the moment of consumption; and (3) when we take notice of how much we are consuming in that moment. By contrast, when we prepay by credit card, pay by automatic direct debit, and/or we are not aware of how much we have consumed, we do not 'feel' the pain of spending quite so much. In short, we feel the pain of spending less when we separate, and distance, the payment for our purchases from the consumption of those same purchases. The pain of spending is most pronounced when we can directly see the connection between our purchases and how much has been taken out of our bank accounts.



So, how do we make use of this knowledge? If we want to better manage our finances, we may choose to pay for our purchases in cash. We may also want to be mindful of how much we are consuming (products/services) in the moment. Similarly, if we want to reduce the pain out of our purchases, we can prepay for those purchases, use a credit card or set up direct debits (for routine transactions). Needless to say, if we receive something as a gift, or purchase that item through a gift card we have in our possession, there is no spending pain associated with that item.

Our three talks on the psychological meaning of money will explore in greater depth both sides of the financial equation. Until then, what will you do to better manage your spending or enhance the enjoyment of your purchases?

OUR HIGHER ORDER CALLING

To help you reach your full potential: Personally, professionally, entrepreneurially and money-wise.

Welcome to the inaugural issue of MQ. This newsletter is exclusively delivered to your inbox. Some forthcoming issues may be made available on our website, but not all. So, if you like the content, be sure to keep it somewhere safe. Now, more than ever, our newsletters will provide food for thought to help you reach your full potential: Personally professionally, entrepreneurially and money wise.

We welcome your thoughts, reflections and suggestions on how MQ can better meet your needs.

OUR MISSION

To provide a professional service, using best practices.

OUR MOTTO

- Be Proactive.
- Take Charge of Your Career.
- Look After Your Health.

DR ABRAMSON'S TEACHING CALENDER

Helping you Reach Your Full Potential: [Personally](#),
[Professionally](#), [Entrepreneurially](#), and [Money-wise](#).

April

- 3rd: The Psychology of Share Investing, Talk II: How Mum-and-Dad Investors Compare to Institutional Investors and What it Means for Us as Share Investors
- 8th Marketing the Business Entrepreneurially for SMEs, Day 1
- 15th Marketing the Business Entrepreneurially for SMEs, Day 2
- 22nd Marketing the Business Entrepreneurially for SMEs, Day 3
- 24th P.D.: How to Really Know If We are Delivering What Our Clients Need/Want
- 29th Marketing the Business Entrepreneurially for SMEs, Day 4

May

- 6th Strategy and Entrepreneurship in Private Practice, Day 1
- 8th The Psychology of Share Investing, Talk III: Profile of Share Investors and the Key Message for Us as Share Investors
- 13th Strategy and Entrepreneurship in Private Practice, Day 2
- 15th P.D.: Social Media and Private Practice
- 27th Strategy and Entrepreneurship in Private Practice, Day 3

June

- 3rd Professional Practice Program (HYPNOSIS), Workshop 1
- 10th Business Finance for Private Practice and SMEs, Day 1
- 12th The Psychology of Share Investing, Talk I: How Lessons from the Past Can Inform Your Investment Decisions
- 17th Professional Practice Program (HYPNOSIS), Workshop 2
- 20th P.D. The Psychological Meaning of \$\$s and How It Plays Out at Home and Work (Open to Psychologists, share investors and business owners).
- 24th Business Finance for Private Practice and SMEs, Day 2

July

- 1st Marketing the Private Practice, Entrepreneurially, Day 1
- 8th Marketing the Private Practice, Entrepreneurially, Day 2
- 10th The Psychology of Share Investing, Talk II: How Mum-and-Dad Investors Compare to Institutional Investors and What it Means for Us as Share Investors
- 15th Marketing the Private Practice, Entrepreneurially, Day 3
- 18th P.D.: How to Finance the P.P. for Growth and Increased Profitability
- 29th Marketing the Private Practice, Entrepreneurially, Day 4

August

- 5th Strategic Growth for Private Practice and SMEs, Day 1
- 12th Strategic Growth for Private Practice and SMEs, Day 2
- 14th The Psychology of Share Investing, Talk III: Profile of

- Share Investors and the Key Message for Us as Share Investors
- 19th Strategic Growth for Private Practice and SMEs, Day 3
- 20th P.D.: The Psychological Treatment of \$\$s: How it Plays out at Home and Work
- 26th Professional Practice Program (HYPNOSIS), Workshop 3

September

- 2nd Using the Power of Neuroscience ad Your Subconscious to Maximise Career Potential, Day 1
- 4th The Psychology of Share Investing, Talk I: How Lessons from the Past Can Inform Your Investment Decisions
- 16th Using the Power of Neuroscience and Your Subconscious to Maximise Career Potential, Day 2
- 17th P.D.: The Psychological Followers of \$\$s: How it Plays out at Home and Work
- 23rd Using the Power of Neuroscience and Your Subconscious to Maximise Career Potential, Day 3
- 30th Professional Practice Program (HYPNOSIS), Workshop 4

October

- 7th Resourcing the Private Practice and SME, Day 1
- 14th Resourcing the Private Practice and SME, Day 2
- 16th The Psychology of Share Investing, Talk II: How Mum-and-Dad Investors Compare to Institutional Investors and What it Means for Us as Share Investors
- 21st Resourcing the Private Practice and SME, Day 3
- 28th Professional Practice Program (HYPNOSIS), Workshop 5

November

- 11th Professional Practice Program (HYPNOSIS), Workshop 6
- 18th PD: The Psychology of Investing: Highlights from Dr. Abramson's research
- 20th The Psychology of Share Investing, Talk III: Profile of Share Investors and the Key Message for Us as Share Investors
- 25th Advanced Strategic Growth for Private Practice and SMEs, Day 1

December

- 2nd Advanced Strategic Growth for Private Practice and SMEs, Day 2
- 9th Advanced Strategic Growth for Private Practice and SMEs, Day 3

MAKING THE MOST OF YOUR RESOLUTIONS

We have now prepared an audio recording of *Making the Most of Your New Year's Resolutions*. This recording can help you make the most of your new year's resolutions as well as your dreams, aspirations and resolutions set at other times of the year. Orders can be placed by phone or email. Orders can be collected or they can be posted to your preferred postal address. Audio recordings are \$22/CD (plus P+H, if applicable). At the end of the day, we want to help you make the most of your full potential: Personally, professionally, entrepreneurially and money-wise.

FOOD FOR THOUGHT

My research showed that institutional investors were more overconfident/less underconfident than retail (mum-and-dad) investors. Other research on overconfidence showed that overconfident investors traded more and that their trades, more often than not, resulted in reduced portfolio returns over what would have been the case than had they not traded.

Hmmm, if you are overconfident, or if you have left your portfolio in the hands of an overconfident fund manager, it may be time to revisit how you manage your share portfolio.