



# The Psychology of Spending

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**Marc Bancroft**  
**Business Development Officer**  
[mbancroft@sdccu.com](mailto:mbancroft@sdccu.com)



# The Psychology of Spending

A lot more goes into our money choices than cold, rational calculation. Our emotions can have a huge impact on the bottom line. By examining the feelings behind the decisions, you can begin the process of making the most productive choices possible.

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# Spending Choices

- Many factors impact consumer behavior
- These factors may lead to decisions that are not in our best interest
- Understanding why we buy can help lead to better choices



# Self-Evaluation

- What types of products and services do you enjoy spending money on?
- Why do you think you enjoy spending money on them?
- In what ways do you think you are a “good” spender?
- What spending habits would you like to change?
- How do you think you can change them?

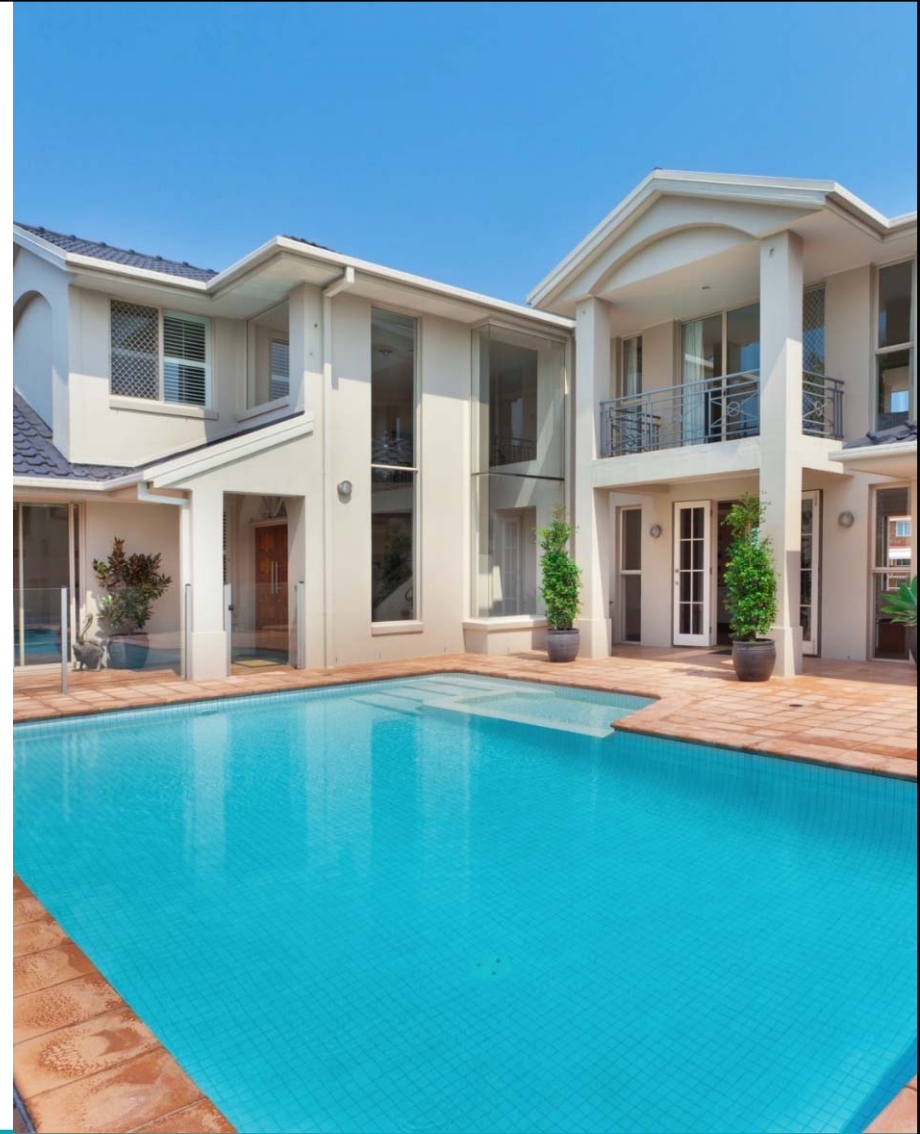


# The Role of Advertising

- The purpose of advertising is to get us to buy
- Can affect consumer behavior, often unconsciously
- You cannot avoid advertising, but you can separate emotion from value

# Keeping Up with the Joneses

- Owning makes us feel successful
- Don't want to have less than others
- Buying luxuries isn't bad, but focus on what you can afford



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# Spending Habits

- Some buys made out of habit
  - *Coffee, lunches out, brand loyalty*
- Examine if habits are affordable
  - *Track spending*
  - *If spending > earning, make cuts*
- Determine if needs are real or perceived







# Bargain Hunting

- People love buying things on sale
- Smart shoppers look for sales on items they were already planning to buy
- You are not saving money if you buy something just because it is on sale
  - *Focus on cost, not just savings*
  - *Best bargain is to not buy*

# Retail Therapy

- Many people shop when they are depressed to cheer themselves up
- The rush is temporary
- Do free mood-boosting activities instead
- If needed, seek professional help



# Impulse Buying

- We do it because it is exciting
- Stores encourage it
- To prevent, create a list and stick to it
- Avoid browsing, free samples, trying on expensive clothes, talking to salespeople





# Money as Love

- Mistakenly thinking spending is love
- Address problems head-on instead
- Thoughtful gifts are usually preferred
- Acting as an ATM to family and friends can do more harm than good

# Spending vs. Saving

**We often put immediate desires first**

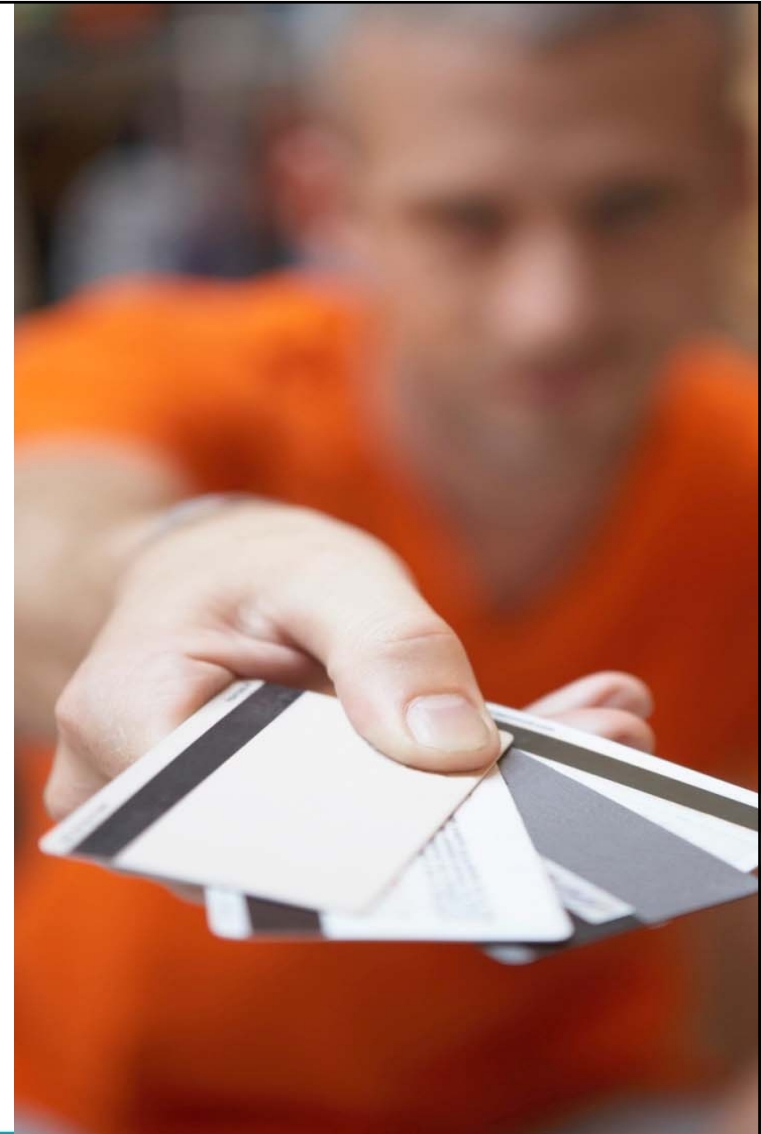
- *Instant gratification is more appealing*
- *Saving is delayed*

**Prioritize saving today**

- *Direct deposit*
- *Sooner you save, the more you'll have*

# The Role of Credit

- People spend more when they use credit
  - *Get something today, don't pay until later*
  - *If you can't pay off balance later, you'll pay interest*
- Use debit card or cash for most purchases
- Make small purchase each month with a credit card and pay off full balance



# Be a Conscious Consumer

- Will I really use the product or service?
- What are my motives for making the purchase?
- Do I own anything else that provides the same use?
- Did I feel a need for this item before I saw it in the store?
- What are the financial and emotional costs of the purchase and can I really afford it?
- Can I get the product or service for less elsewhere?



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**Business Development Officer**  
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**Marc Bancroft**  
Business Development Officer  
(949) 412-9474 | [mbancroft@sdccu.com](mailto:mbancroft@sdccu.com)

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