

Spend Shame to Spend Success

A Modern Life Stage Dialogue

Dr. Preston Cherry, AFC® , CFT-I™ , CFP®



The Money Psychology of Spending Can Tremendously Affect Our Financial and Life Well-Being.

Past, Present, Retirement

Want are needs, too



Maslow's hierarchy of needs

Spend Shaming

- When individuals attach their embedded value systems to others' perceived spending behaviors to elevate their financial education level or justify their financial and overall well-being preferences at the emotional and intellectual expense of others.
- Social Capital “Group Think | Work | Collective”
 - Individuals securing economic benefits from being aligned with a group with common virtues, institutional resources, developed social networks
- Utility Theory
 - People can make optimal choices based on available resources, tradeoffs, and preferences.
- Well-Being Theory
 - PERMA

Spend Shaming

- Why don't you have what I have?
 - I have access to resources; why don't you?
- Why don't you save the way I save?
 - I do it better and will have a better outcome
- Why do you spend the way you spend?
 - You spend frivolously and will experience bad outcomes
- Why do you have what you have?
 - You do not have the means.
- Why are you spending on that?
 - Your value system is deficient.

Invest in PERMA

- People with \$500,000 or more in savings at retirement spent down less than 12% of their assets over 20 years
- PERMA elements were directly and positively associated with FSE except for engagement
- Seligman, 2012; Asebedo & Seay, 2015; Asebedo, 2019; EBRI, 2021

Figure 3: Well-Being Theory (PERMA)

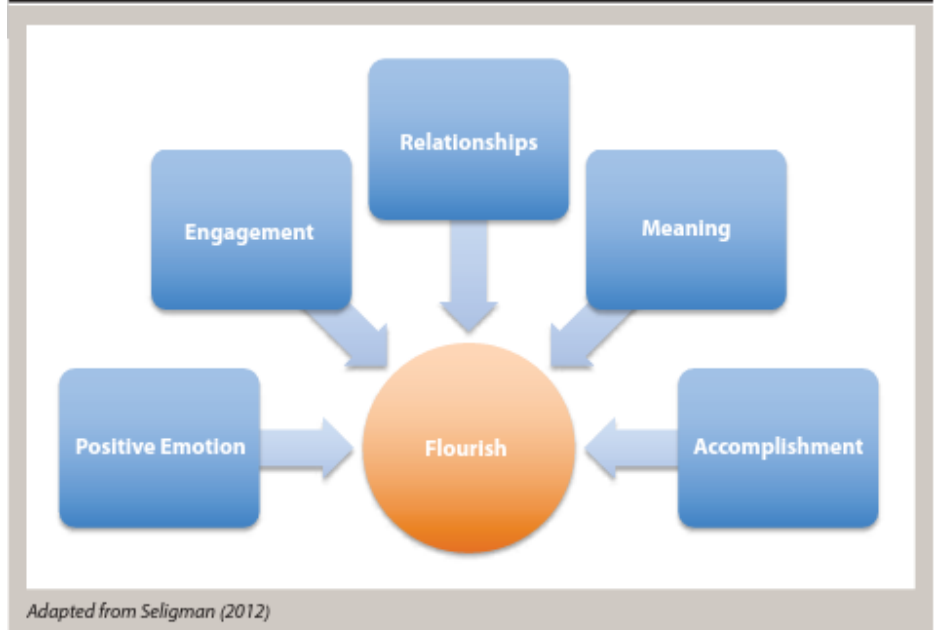


Table 1: Financially Related PERMA Categories

Positive Emotion	Travel, sporting events, concerts, dining out, clothing, jewelry, spa, theater, etc.
Engagement	Hobbies and activities (for example, reading, playing a musical instrument, gardening, exercise, etc.)
Relationships	Gifts to others, experiences with others (for example, travel, events, etc.)
Meaning	Charitable and political contributions, religious and special interest group support, etc.
Accomplishments	Education endeavors, sports, hobbies, professional development, etc.

The “Frugal” Culture

Millionaire Next Door ...proliferated in culture

- Put down your coffee, be a millionaire
- Drive a Honda Civic, and you will be a millionaire

Internal-External Judgment or Shame

- State of being unworthy, bad, wrong, uncomfortable.
- Anxiety, worry, self-esteem.

Agency

- Control over one's actions and their consequences.

Time Discounting or “temporal discounting.”

- Preference now or later.

Spending Relationships

- Harmful emotional and behavioral practices (caused by shame) such as
 - impulse,
 - frivolous, and
 - unaccounted-for spending
 - can derail and delay life aspirations and financial goals

Advisor Client Impact

- Reasons
 - Reject
 - Norms
- Relevance
 - Modern
 - Connect
- Retention
 - Client
 - Cross-generation

Spending Narrative Identity could either elevate or empower life stage, economic and emotional well-being.

Spend Shame Narratives often manifests in several ways.

Fear Narrative

- Central fears that create this behavior
 - Scarcity mindset
 - “Flash” pushback
 - Past relationships with money
- What this looks like
 - Over saving
 - Over sacrificing
 - Well-being deficit

“Badge-of-Honor” Narrative

- Central fears that create this behavior
 - Near-zero utility from tangible good consumption
 - “Flash” opposition or rejection
- What this looks like
 - Implied values & intelligence authority
 - “Frugality” v Frugality
 - Increased retirement lifestyle guarantees
 - Low-time preference

The "YOLO" (you only live once) Narrative

Pendulum swings from the restrictive "savings-plan narrative"

- Central fears that create this behavior
 - Longevity fears
 - Self-worth = Net worth
 - Past relationships with money
- What this looks like
 - Spend thrift
 - Emotional spending
 - Undisciplined
 - High-time discounting

The Life Stage Spending Plan

- Central foci that create this behavior
 - Personal preferences
 - Well-being & utility
 - Vitality & life-stage
- What this looks like
 - Freedom & flexibility
 - Less shame & judgment
 - Financial plan stickiness
 - Time discounting balance

How To Have Investigative Conversations with Clients (and Self) To End Shaming

What can advisors do about it?

Un-Train to Train Yourself



Un-Train to Train Yourself

- Ask what your bias is?
 - Cultural
 - Social norms
 - Professional
 - Preferential
- Goal here is to understand your bias and stop projecting your values onto the:
 - Client
 - Profession
 - Society

De-Shame & De-Judge: Fear Narrative

Addressing Fear Narrative

- Frame up the issue with clients
 - Investigate the mindset and psychological influences
- Common Rebuttals from clients
 - “Not going to change.”
- Different goals/setting up clients to succeed
 - Offer an environment for vulnerable dialogue exchange from #1.
 - Educate & empower with alternatives and alignment with goals.

De-Shame & De-Judge: “Badge-of-Honor” Narrative

Addressing “Badge-of-Honor”

- Frame up the issue with clients
 - Investigate the mindset, psychological, and social influences.
- Common Rebuttals from clients
 - “It works.”
- Different goals/setting up clients to succeed
 - Offer an environment for vulnerable dialogue exchange from #1.
 - Educate & empower with alternatives and alignment with goals.

De-Shame & De-Judge: YOLO

Addressing the "YOLO"

- Framing up the issue with clients
 - Investigate the mindset, psychological, and social influences.
- Common Rebuttals from clients
 - “Not going to change.”
- Different goals/setting up clients to succeed
 - Offer an environment for vulnerable dialogue exchange from #1.
 - Educate & empower with alternatives and alignment with goals.

Thank you

- Closing
- Q & A

