THE KELLY GROUP
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Your Small-Town Doctor of Financial Planning Says:

Be Aware of How Your Mind Controls Your Money

Do you base your financial decisions on pure reason, or do your emotions as molded by past experience and personal biases affect how you act—perhaps even at a subconscious level you are not aware of?

Unfortunately, far too often we allow reason to play second fiddle to influences that can cause us to behave unwisely. Our emotions can affect our investing decisions, spending habits, level of debt, and even our willingness to discuss our money decisions with family members.

Emotions play an obvious role in investing. Fear often kicks us out of the market when we should be more patient, and greed may encourage us to dive in deeper than we should. In what ways does our risk tolerance influence investing? How do we measure that risk tolerance and account for it? An investor's risk tolerance depends on many factors including goals, life stage personality, investment knowledge, and investment experience. It also may depend on what the investor learned from their parents' attitude toward investing and money, or from stories they may have heard about great gains or terrible losses.

Like our investing decisions, our spending behavior can be heavily influenced by habits acquired over time and influenced by events and the attitudes of family and friends. For example, members of the generation that experienced the Great Depression were known to be far more frugal than they needed to be. At the opposite end of the spectrum, individuals who never learned sufficient financial self-discipline may find that they have a hard time curtailing their spending. Even day-to-day emotions can control us more than we would like. We may spend more on payday or when we are feeling frustrated or stressed. How often do we find that we are using "retail therapy" as a way of overcoming a bad day?

Then there is debt. Too many people incur more debt than is financially healthy. And they do so unnecessarily. This might be because they were never taught to keep track of their spending, or they don't want to make the short-term sacrifice for long-term financial security. They may have developed the belief that a budget is a restrictive limit to freedom rather than a valuable tool to help achieve long-term goals. People may fall into debt in order to keep up with the Joneses, letting their emotions dictate that it is more important to maintain a certain superficial status than to remain financially healthy.

Perhaps one of the most common and damaging financial predispositions is the reluctance to communicate about finances. Do you and your spouse discuss each other's spending habits? Do you go over your financial budget together? Do you help instruct your children about money? Do you work with a financial advisor to help create a financial plan? Or are you tempted to take the path of least resistance and not discuss money at all? It is certainly far too easy to fall into that trap.

In light of the importance the mind plays in money decisions, Harford Community College offers a course taught by The Kelly Group to help address our most common behavioral biases and how to avoid devastating behavior-based mistakes and emotional traps that can derail even the most carefully crafted financial and investment plans. The two-hour course is “Mind Over Money: The Role of Behavior in Financial Success” scheduled for 6 p.m. on Wednesday, October 25. *For instructions on how to register, visit **https://www.harford.edu/academics/noncredit-registration/index.php**. For further information on this course, feel free to contact The Kelly Group at 410-893-0560, or **info@kellyria.com**.*

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