

Do You Understand Your Emotions About Money?

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If you've ever felt a rush of excitement at making a big purchase or experienced feelings of shame at making a financial mistake, you know that our relationship with money isn't completely rational. For most people, money comes with a lot of emotional and psychological baggage that affects the decisions we make.

Psychologists call these emotions "money scripts" and have found that these unconscious beliefs can drive many positive and negative financial behaviors.

¹ Many of our money scripts come from our families and the way our parents handled and discussed their finances. It's one of the reasons why we encourage our clients to talk to their kids about money and teach them good financial skills early in life. As adults, it's also our responsibility to explore and understand our own feelings about money and how they drive our behavior.

As financial professionals, we know that money is a very emotional subject. We have seen many instances where emotions drive negative actions.

- **Emotional investing decisions** can wreak havoc on long-term performance by leading to overconfidence when markets rally and panic when markets decline.
- **Anxiety about the unknown** can leave people feeling paralyzed with worry and unable to make financial decisions or prepare for the future.
- **Shame and avoidance** can lead to inaction and push people into ignoring critical financial tasks that make them uncomfortable.
- **Emotional spending** can give people a brief feeling of euphoria or distraction but cripple your savings strategies if left unchecked.

What Can You Do?

The first step to unraveling your psychological relationship with money is to realize that you're in good company; everyone has positive and negative emotions related to money that can lead them to make not-so-savvy decisions.

One way to help you explore your internal money scripts is by imagining how you feel in certain common financial scenarios:

- How do you feel about earning money?
- What does money mean to you?
- How does buying something make you feel?

- How does saving for the future make you feel?
- How do budgeting and tracking expenses make you feel?
- How do you feel when markets are up?
- How do you feel when markets are down or volatile?
- How do you feel about meeting with a financial professional?
- How do you feel about your financial future?

If you discover that you have strong positive or negative reactions to these questions, it's a good idea to take note of those feelings and explore them in more depth – perhaps with the help of a professional. While some emotional triggers can lead to positive activities like saving and preparing for the future, others can cause negative behaviors like avoidance, overspending, and emotional investing. Even positive emotions like self-confidence and optimism can lead to negative outcomes when they cause people to ignore the future.

Another way to help avoid letting emotion derail your finances is by harnessing the power of psychology:

- Build financial strategies to help neutralize your emotions during stressful periods.
- Work with a professional to get guidance and positive reinforcement.
- Consider automating your saving and investing through your workplace retirement plan to stay on track.
- Take small steps toward better financial behaviors like bi-weekly family budget meetings.
- Forgive yourself for mistakes and get back on track as quickly as possible.

How Can We Help?

As financial professionals, it's our job to help our clients untangle their emotions about wealth and guide them in developing strategies for the future. Part of that job is acting as an impartial party when dealing with stressful situations and powerful emotions about money. If you or someone you love is finding it difficult to tackle their finances or is experiencing a lot of financial stress, please reach out to us for help.

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¹ <https://goo.gl/xlMeQI>