

money mindsets:

understanding your relationship with money



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Whether a stickler for a budget or preferring to just swipe and go, each one of us has some relationship with money that influences our attitudes and behaviours.

For many of us, this relationship is something that's been influenced by our upbringing, our parents' attitudes towards money and the socio-economic background we were raised in. So, by the time we're ready to take control of our finances, negative attitudes can already be ingrained in us.

Fortunately, awareness of toxic money mindsets can help us identify harmful behaviours and ultimately work towards financial freedom. In this whitepaper, we'll examine three different money mindset theories to help you find your footing.

Klontz Money Script Inventory

In Dr. Bradley T. Klontz' first study into the underlying psychological issues that influence financial stress, he identified four distinct money belief patterns (or "scripts"), three of which were significantly correlated with lower financial health.

MONEY AVOIDANCE

Money avoiders typically feel anxiety or disgust when thinking about money – either fear with regards to their own finances, or vilification of the wealthy. While money avoiders don't like or want money, they may also hold conflicting beliefs that more money could improve their self-worth and therefore fluctuate between rejecting it and placing too great a value on it. Common behaviours for money avoiders include:

- ▶ Compulsive buying.
- ▶ Sacrificing financial well-being to help others.
- ▶ Being financially dependent on others.
- ▶ Trying not to think about money or look at bank statements.
- ▶ Failing to stick to a budget.



Those who fall into the money status script equate **self-worth** with **net worth**.

MONEY WORSHIP

At the other end of the spectrum, money worshippers believe money and happiness are directly and positively correlated – to no end. This means while they love money, they feel as though they will never truly be able to afford the things they want in life. The tension between these ideas may lead to chronic overspending and living above one's means. Common behaviours for money worshipper include:

- ▶ Overspending and hoarding possessions.
- ▶ Putting work ahead of family.
- ▶ Being financially dependent on others.
- ▶ Trying not to think about money or look at bank statements.
- ▶ Over-relying on credit.

MONEY STATUS

Those who fall into the money status script equate self-worth with net worth. Consequently, they're always "keeping up with the Joneses". This script may be more common among those raised in lower income homes, who feel a greater distinction among socioeconomic

classes. Common behaviours in the money status scripts include:

- ▶ Compulsive spending.
- ▶ Lying to loved ones about finances.
- ▶ Gambling – taking large risks to advance ones' socioeconomic status.
- ▶ Being financially dependent on others.

MONEY VIGILANCE

Characterised by alertness and concern for their financial welfare, the money vigilant work hard and save harder. These people use money primarily as a necessity and a defence, and while this encourages saving, it can also stop them from enjoying the security and privilege of having money. Common money vigilant behaviours include:

- ▶ Being secretive about financial status (except with loved ones).
- ▶ Denying oneself expensive purchases.
- ▶ Refusing to pay for something on a credit card.
- ▶ Preferring to pay with cash.

McCrindle Financial Dreamer Profiles

In the "Dare to Dream" report produced on behalf of the Financial Planning Association of Australia (FPA), McCrindle identified four distinct personality types among Australian consumers centered around goal setting, investment behaviours and risk appetites.

RULE KEEPERS

Representing 40 per cent of Australians, Rule Keepers like to play it safe. They would sooner opt for minimal or zero financial risk than take bets on their future. Rule Keepers have their eyes on the prize, working hard towards long-term success and preferring to focus on facts over feeling when it comes to finance.

MOVERS & SHAKERS

Like Rule Keepers, Movers & Shakers are future-oriented. They have big dreams, and aren't content until those goals are achieved. A calculated risk is a mover & shaker's best friend – they'll happily take on risk only if they've already planned for it and are certain they can absorb the consequences if they arise.

Tang's Money Profiles

Thomas Li-Ping Tang has researched the interplay between money, happiness and work ethic since the 1990s. Over numerous studies in a range of different geographic regions, he developed four primary money profiles, which describe attitudes and behaviours around money.

MONEY-REPELLENT INDIVIDUALS

Money-repellent individuals are similar to Klontz's money avoiders. They generally believe that money is evil, and tend to be young and/or earn a low income. They are less likely to derive satisfaction from their role in the workplace, both financially (extrinsic) and

EASY RIDERS

Easy Riders like to go with the flow. They aren't thinking too far ahead and prefer to focus on the here-and-now, including when it comes to spending. The odd impulsive buy is fairly common, because they can easily see the result of the purchase, but a risky investment is off the table.

POKER MASTERS

The least common dreamer in Australia, Poker Masters like to set big goals for tomorrow – not five years from now. They're constantly looking for ways to improve their financial situation and aren't afraid to take a big risk to do it. They enjoy the rush of achieving short-term goals and buying big-ticket items, and prefer to avoid being tied down by a financial plan.

emotionally (intrinsic). Interestingly, Tang believes money-repellent individuals do not correlate money with success.

ACHIEVING MONEY WORSHIPPER

While Klontz' associates money worship with obsession, Tang suggests those who worship money are more likely to achieve happiness as they tend to have greater work ethic, job satisfaction and extrinsic and intrinsic motivations. This may be because they find themselves in high-earning jobs, where money is a more tangible goal. These people are generally older, have over 20 years work experience and earn above-average income.

CARELESS MONEY ADMIRERS

While they have a positive attitude towards money, careless money admirers often don't budget or fail to stick to one. They feel moderate levels of job satisfaction and tend to work hard for their money. Tang found that those who were able to stick to a budget were generally more satisfied in work and life.

APATHETIC MONEY MANAGERS

Apathetic money managers embrace simplicity, seeking a less stressful, and enviously uncluttered life. They believe money does not represent achievement, but nonetheless budget their money carefully. These people have lower income, but choose to derive their happiness from other sources – they're content just making ends meet.

Improving your relationship with money

Do any of these money mindsets resonate with you? Knowing where you stand with money can help you start to make positive changes. Eileen Gallo hypothesises that there are three key levers that affect our relationship with money: acquisition, spending and management. Staying secure in your relationship with money requires reaching a middle ground for each of these dimensions. For example, on one end of the spending dimension is the miser – overly frugal and unwilling to enjoy having money – and on the other is the compulsive spender, making rash decisions which ultimately cause problems.

By examining these money mindsets and considering where you fall on the spectrum, you can start to adjust these three dimensions with the help of a professional financial planner.



Is your relationship with money working out? Knowing where you're going wrong is half the battle – the next step is seeking personalised advice from a trusted financial planner.

Get in touch with the team at Invest Blue today to start improving your relationship with money.



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