

WEEK 3, SERIES 1 WORKSHEET



The Psychology of Money: Why We Make Bad Financial Decisions

12-Part Money Foundations Series

Key Concepts at a Glance

- **Anchoring:** Your brain compares prices to the first number it sees.
- **Framing:** Words change how financial decisions feel.
- **Sunk Cost Fallacy:** Continuing bad decisions because money was already spent.
- **System 1:** Thinking: Fast, emotional decisions.
- **System 2:** Thinking: Slow, logical decisions.

A Simple Example

*Two people earn the same income.
One waits until they “feel ready” to save.
The other sets up a £100 automatic transfer immediately.
Six months later:
One still feels stuck.
The other has £600 saved.
One decision changed everything.*

The 5 Money Biases

- 1. Anchoring:** “Was £100 – now £49!”
- 2. Framing:** “0% for 24 months”
- 3. Sunk Cost:** “I’ve already paid for it...”
- 4. System 1 Thinking:** Impulse decisions
- 4. System 2 Thinking:** Slow, logical decisions.

Take a Moment to Reflect

- **Which financial habit do I delay most often – and why?**

- **Bias Self-Assessment**

Tick any that sound familiar:

- I buy things because they seem discounted
- I delay financial tasks
- I keep subscriptions I barely use
- I make emotional purchases
- I avoid checking balances or statements
- I struggle to start saving consistently

- **My Biggest Money Trigger**

What situations usually lead to poor financial decisions?

- **My System 2 Plan**

Before spending over £

I will:

- Wait 24 hours
- Check if I truly need it
- Compare alternatives
- Review my budget first

- **One Financial Action I Will Take This Week**

Key Takeaway

The problem is not intelligence.
The problem is unmanaged behaviour.

What Comes Next?

In Week 4, we'll build a step-by-step system to pay off debt faster using the Debt Snowball Method.

This worksheet is for educational purposes only and does not constitute financial advice.

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