Five Signs Emotional Decisions are Negatively Affecting Your Finances

Non-profit credit counseling agency Take Charge America helps consumers recognize emotional influences on financial decisions

PHOENIX – (Dec. 12, 2013) – In a culture often characterized by immediate gratification, easy access to credit and soaring consumer debt, it’s easy to see how emotions can have a negative impact on personal financial decisions.

“Many intelligent, capable people have found themselves buried in debt as a result of excessive spending and other poor financial habits,” said Michael Sullivan, chief education officer for Take Charge America, a national non-profit credit counseling agency. “The first step toward improving your finances is simply to recognize when your emotions are influencing your decisions.”

Sullivan offers five warning signs consumers may be making emotional and often costly decisions with their money:

1. **You spend to keep up with the Joneses**: This is a common trap impacting purchasing decisions. If you buy an expensive car to impress your friends and neighbors – especially if you must borrow money – you are letting your emotions dictate your decision.

2. **You experience overwhelming anxiety**: It’s natural to feel some concern when the stock market drops or real estate values decline, especially in the aftermath of the recession. However, excessive worrying leads to rash decision-making, and selling low and buying high is a sure path to poverty.

3. **You spend to show love**: Most everyone has experienced an urge to overspend or use credit cards to buy gifts for children, grandchildren or a romantic interest. Parents, especially, should remember that a well-funded savings account or college fund will prove much more valuable to children than the latest gadgets.

4. **You’re stuck in the present**: Fifty years ago, people used cash for big-ticket purchases like cars and vacations. Saving money and planning for the future was the norm. Today, many people think only of the present, paying little attention to retirement goals or savings plans. The long-term effects of such behavior could be devastating down the road.

5. **You seek out retail therapy**: Many people say shopping gives them a rush of joy. Others shop to feel better after a hard day, or to reward themselves for a job well done. However, such habits are clearly emotionally driven and can lead to buying things you don’t need with money you don’t have.
“Money is a natural and important part of everyday life,” added Sullivan. “If we understand how we feel about money and how those feelings impact our behaviors, we’ll make smarter, better-informed decisions.”

For more financial tips, visit TakeChargeAmerica.org.

About Take Charge America, Inc.
Founded in 1987, Take Charge America, Inc. is a non-profit agency that provides financial education services, including credit counseling, housing counseling, student loan counseling and debt management. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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