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# DECODING MONEY HABITS

By

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**MONEY  
GOALZ**

## **WE ARE MADE OF HABITS, NOT MOLECULES**

**“We are what we repeatedly do,”**

*Will Durant*

**“Could the young but realize how soon they will become mere walking bundles of habits, they would give more heed to their conduct while in the plastic state,”**

*William James*

But how, exactly, do we rewire our habits once they have congealed into daily routines?

There is an unending discussion on the number of days it takes to form a habit. The numbers 21, 40, 66 are all jumping in the frame. Some might tell you that a difficult habit might take 254 days to form.

What really matters here is breaking old habits, before forming new ones, or a simultaneous task of replacement. It is the complexity of this exercise, which determines the length of time taken.

Habits cannot change, unless we understand the cause-and-effect relationship.

- 1. Why are we what we are?**
- 2. Will it help to change, or can goals be achieved by moving ahead on the same path?**
- 3. If we change, what is the proportionate impact of such change?**
- 4. Are we motivated enough to make the change, even if it causes some initial discomfort?**

# WHY ARE WE WHAT WE ARE?

## 1. Think about your childhood.

❖ *Were you a pampered child who always got what you desired?*

Some of us cannot accept a standard of living, which is lower than that of our parental home.

❖ *Do you recall a sense of deprivation, which you wish to compensate for by overspending now? Were there any unfulfilled desires?*

When I started earning, I indulged in binge-shopping, and visiting all the restaurants I could not afford earlier. There could be a similar phenomenon, which has continued well past a reasonable time frame.

The question is - how does it impact your future? For example, will spending on looking good or entertainment now, help in having a plush home and luxury car in the near future?

Think if your spending behavior today, will push fulfilment further away, or pull it closer. As the popular adage goes, one cannot have the cake, and eat it too.

❖ ***Are you under some kind of pressure to maintain a certain lifestyle?***

In my interactions with students on money management, I tell them they have been gifted a sum of Rs. 100,000/- and ask them to write an expenditure plan. 90% of the students want a Macbook and i-phone, and say that the money may not be sufficient to buy both.

I've met only one or two, who came up with a business plan for running a small eating stall, and generating profits before they changed their lifestyle.

**❖ *Is there a need to prove your worth to others by the amount you spend?***

- Look at the enormous money spent in Indian weddings, and check how many of those could ill-afford the lavish show.
- Some of us buy fancy cars and buy/rent houses in posh addresses, because the people we idolize are doing so
- Are we trying to impress a partner/in-laws/social circle?
- Do we worry about being seen on a bus/metro?
- Have you ever hired/borrowed clothes/car to attend a social function? (It might be better than buying something for a single occasion ☺)

**IS IT WORTHWHILE TO CHANGE, OR CAN GOALS  
BE ACHIEVED BY MOVING AHEAD ON THE SAME  
PATH?**

**❖ *Are you saving and investing sufficient money to provide for your future goals?***

If yes, you need not change.

If no, what exactly are the changes needed?

**❖ *Do you have a clear career path, and a clear picture of how your income and assets will move up in the next 10-30 years? What are the job/business prospects in your industry, and how will those impact you?***

**❖ *If you are single, do you have an estimate of your future partner's income or financial needs that you need to fulfil?***

***❖ Do you expect any inheritance, and how will it impact your life? For example, if you are inheriting a family home in the city you live, housing need not be on your priority list.***

***❖ If there is any uncertainty, have you made provisions for the same?***

**Money** can be classified into inheritance, money in hand and future money, for your planning process.

**Goalz** can be classified as follows

- ❖ Short, medium and long-term
- ❖ By purpose – what you wish to buy, what you need to maintain desired lifestyle, what you wish to provide for the future
- ❖ By value system – Security, self-esteem, independence, being a good provider.

## **IF WE CHANGE, WHAT IS THE PROPORTIONATE IMPACT OF SUCH CHANGE?**

- ❖ Do you think saving 10% of your income will help you reach somewhere, or do you need to save more?
- ❖ If you need to save more, what are the sacrifices that need to be made, and how does it affect you mentally, emotionally, socially and professionally?
- ❖ Scan online for charts showing the power of compounding, and calculate the future impact of what you start saving today, and how much.

**ARE WE MOTIVATED ENOUGH TO MAKE THE CHANGE,  
EVEN IF IT CAUSES SOME INITIAL DISCOMFORT?**

***❖ How badly do you want your future goals to be fulfilled?***

***❖ Is it essential for mental health, good-to-have or a luxurious ambition?***

***❖ Do you have a prioritized plan for the same? Save more for essential items, less for luxuries you can do without as of now.***

## **ABC MODEL OF HABIT PATTERN DEVELOPMENT**

There is a model of habit pattern development called the "ABC Model." These three letters stand for

- ❖ **Antecedents**
- ❖ **Behaviors**
- ❖ **Consequences**

This theory says that the past stimulates only 15% of your behavior.

85% of your behavior is motivated by future expectations – this could be ambition, or a fear of adversity.

We value money for what it can buy. We also value it for what it can get us – it could be respect, self-reliance, security or a safe future.

We allocate money in order of priority of these goals.

# TRIED AND TESTED WISDOM FROM THE MASTERS

## 1. Chunking down goals

Set up saving goals or return-on-investment targets for the short term first.

You will have more money to play around with at a later date, and strategies can be revised.

## 2. Increase your income

- ❖ *Build a second or third income. It could be a side hustle, rental income, passive income initiative or investment or annuity plan which yields monthly/quarterly/annual returns.*

- ❖ *Aim at qualifying for the top incentive plans, if your organization has one.*
- ❖ *Keep looking for better opportunities, if you face stagnation in the current job or business.*
- ❖ *If you are single, find a partner who adds to the kitty.*

## **LEARN FROM THE MASTERS**

Read, watch videos, subscribe to newsletters or blogs on personal finance which keep you updated.

Engage a financial coach, if you want your goals and priorities to be sorted out. Many a time, our needs and wants are different, and we may end up wasting precious resources.

**Contact Reena Saxena at 9711598390 or email at [moneygoalz1@gmail.com](mailto:moneygoalz1@gmail.com), if you wish to engage a coach for F2F or online interactions.**

Engage a financial planner, to help you with the nitty gritty of investments.

**Visit our directory site at [www.moneygoalz.com](http://www.moneygoalz.com), and book an appointment with one.**

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