MONEY

and your health- Actually, they are related.

Using Jedi Mind Tricks Against Your Debt

My friend Britton said something about money the other day that interested me. Britton is a personal finance coach, so we listen up when he talks about money. He pointed out the correlation between a person's psychology and his or her level of debt. Since I am fascinated by psychology because it is a part of EVERYTHING, I thought I'd invite Britton to shed some light on his view of the relationship between psychology, mental health, finances and debt.

If you ask one of my engineering friends why people get into debt, they would look at you like you were crazy. "Is this a trick question?" they'd probably retort. "People get into debt because they spend more than they save." *But why?*, you might ask them. "Well...because they just don't make enough money to make ends meet, or" -- and here their voice might lower a bit --"maybe they're too lazy to make a budget."

I'd count them half right. In the research I've studied, low income is indeed the number one common trait of households who take on "bad" (e.g. credit card) debt. But laziness and intelligence has little to do with it. **Rather, it's often more about self-esteem than anything.**

Financial expert Suze Orman has a word for this: she calls it the "debt set point". This is the point at which a person will say, "whoah, too much debt -- need to cut back on expenses or get some help." She has consistently found that people with *lower* self-esteem have *higher* debt set points.

But why? Because, she says, people with lower self-esteem are more likely to define themselves by what they have, rather than who they are. (And yes, my and other financial coaches' experiences bear this out.) When they're feeling down, they buy stuff thinking that it will make them happier. "I deserve this," they say, as if they have something to prove. And the pain of increased debt is worth it to them, if it means not having to face the pain of their feelings of low self-worth.

Now, a lot of this inner dialogue doesn't occur consciously. A lot of it happens quietly, and quickly, below the surface, before you have time to really think about it. **So next time you're about to buy something, think about why you're doing it.** Take that inner dialogue out and listen to it closely. Will the thing you're about to buy really make you happy? Or are you taking it as a drug?

"Fine," you say. "So, a little self-reflection, maybe some therapy, and my debt problem goes away?" Well, no. Mindfulness will help, and psychological healing is always good, but there's only so much you can do through will alone. This is where the mind tricks come in. Let me introduce you to some of my favorites:

Don't bury your head in the sand. Take your finances out and look at them. *Regularly*. Schedule a time, be it every week, two weeks, or month, when you review your financial situation and see if you're on the right track. It doesn't have to be complicated, though I might suggest a weekly review of your expenditures via budgeting software such as mint.com or (even better) YNAB (www.youneedabudget.com) as an excellent place to start. Whatever it is, put it in your calendar and set aside some regular time for that and nothing else. It's harder to fool yourself into going down the wrong path when you're forcing yourself to keep your eyes open.

Get some accountability. It's also harder to fool your friends, or your spouse, or your family, or your counselor (psychological or financial). Simply the knowledge that there's someone who will cheerfully but firmly point out the folly of your actions is often enough to help you steer clear of budget-busting expenses. And if you're paying someone to help with your finances, the fact that you're spending your hard-earned cash on them will give you an added motivational boost to stay the course!

Build passive barriers. Want to break a habit? Make it hard. If you've heard the old "put your credit card in the freezer" bit, this is an example of a passive barrier. (And it's a pretty good one!) My absolute favorite is the "envelope method," where you pay *only* cash for the expense(s) you're trying to cut back on (say, eating out). At the beginning of the month -- or every two weeks, or whatever -- you pull out cash for that expense; when the envelope runs out, you're done. This works in two ways: for one thing, the empty envelope makes it hard to spend money you don't have, but for another, paying in cash makes it feel more real. (To be clear, money spent by credit cards is just as real; they just fool you into thinking it's not!)

Whatever it is, **do *something***. Take a step, even if it's just a small one -- pick one of the above items and implement it. Then, a month later, if things haven't improved, implement another one (while keeping the first, if appropriate). The road to financial prosperity or ruin is made of many small steps, in one direction or the other; keep walking in the right direction, and you'll get there, even if you make a few missteps along the way.

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