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Knowledge is Power, Especially When It Comes to Money

Understanding family attitudes towards money may improve financial decisions and reduce financial stress.

People inherit more from their parents and grandparents than big feet, eye color, self-discipline, a passion for sports, or an artistic bent. Most also assume their families' ideas and attitudes toward money. Money beliefs are often passed down from generation to generation, along with great grandma's quilts, ancestral photos, and family culture.¹

Researchers call these inherited money mindsets 'money scripts.' These are categories of belief associated with problematic financial decisions that create chronic stress.^{1, 2} The authors of *Wired for Wealth* explained:³

"A money script is not necessarily wrong, but neither is it necessarily right. Our scripts are often skewed, exaggerated, or one dimensional, consisting of incomplete or partial truths. They are usually highly contextual, true in one circumstance but false in many others...Since our money scripts are mostly unconscious, we don't question their accuracy or examine the degree to which they are true and work for us, yet we continue to act on them as if they were entirely true."

Understanding the scripts that underlie financial choices may help improve decision-making and reduce financial stress. Researchers at the University of Kansas studied four factors that encompass a variety of money scripts:

1. **Money avoidance:** Some money avoiders believe they don't deserve to have money. Others think money is bad. Either way, money can be a source of fear, anxiety, or disgust. Money avoiders often sabotage their financial success. They may choose not to spend money on reasonable and essential items, or they may give money away so they have as little as possible.^{1, 2}
2. **Money worship:** Money worshippers share a "belief that more money will solve all of life's problems and bring happiness..."² The reward of more money becomes a carrot dangling just ahead that is never quite reached. These beliefs have been associated with compulsive hoarding, unreasonable risk-taking, gambling, overspending, compulsive buying, and other destructive financial behaviors.^{1, 2}

3. **Money status:** People whose beliefs register on this scale adhere to the idea that money confers status. They see a clear distinction between socio-economic classes, and their sense of self-worth is often linked to net worth. In addition, status scripters tend to equate success with money. Some may pretend to have more money than they do in order to appear successful.²
4. **Money vigilance:** The vigilant believe it is important to work and save. They are watchful, frugal, and concerned about finances. While these traits can support healthy financial decisions, the vigilant are often anxious about money matters and wary of financial risk. Consequently, their ability to enjoy the benefits and security of money may be limited.²

Within these categories, the 10 money scripts that result in chronic stress are:³

1. **More money will make things better.** Generations of families with this script may spend their lives accumulating more.
2. **Money is bad.** Grounded in the belief money makes people bad or unhappy, this script may lead to financial self-sabotage.
3. **I don't deserve money.** This belief may accompany an inheritance or windfall. It may also lead to people earning below their potential.
4. **I deserve to spend money.** Everyone does. However, when this leads to overspending it creates financial problems.
5. **There will never be enough money.** Fear and anxiety may cause people to work long hours, neglect relationships, and fail to enjoy the benefits of their labor.
6. **There will always be enough money.** A belief the universe will always provide, whether a person takes action or not.
7. **Money is unimportant.** This rationalization is used to excuse poor financial decisions.
8. **Money will give my life meaning.** People with this script often immediately and strongly reject it. Their actions may tell a different story.
9. **It's not nice (or necessary) to talk about money.** This attitude may be formed by the idea it is not polite to talk about money, politics, or religion.
10. **If you are good, the universe will supply all your needs.** This belief is prevalent among people in helping professions and those from strong religious backgrounds.

Many people who earn substantial incomes and make sound decisions in other areas of their lives compromise their financial security by making poor financial choices. In some cases, inherited money scripts are the issue. The good news is it's possible to change the way you think about money. First, it's important to identify the money beliefs that may be stunting your ability to grow wealth. The next step is adopting new ways of thinking, and that often means learning more about money. Financial knowledge can be a powerful tool.^{2,3}

If you would like to discuss your current financial situation or explore your relationship with money, give us a call.

Sources:

¹ <http://newprairiepress.org/cgi/viewcontent.cgi?article=1009&context=jft>

² <https://www.onefpa.org/journal/Pages/DEC14-The-Psychology-of-Wealth-Psychological-Factors-Associated-with-High-Income.aspx>

³ <https://books.google.com/books?id=cF-hAgAAQBAJ&q=most+common#v=onepage&q=most%20common&f=false>

⁴ <https://www.onefpa.org/journal/Pages/How%20Clients%E2%80%99%20Money%20Scripts%20Predict%20Their%20Financial%20Behaviors.aspx>

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