How to make savings a Habit and not an Afterthought

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Old habits are hard to break and forming new one's even harder. If you've ever tried to kick the sugar habit, quit smoking, or have resolved to getting to the gym more, you can surely attest to this fact. It reminds me of a quote by Sean Covey: ''Depending on what they are, our habits will either make us or break us''

Repeated behavioural patterns become imprinted in our neural pathways, according to psychologists. Our brains are hard-wired with electrical connections, not unsimilar to computers. Our neural connections, responsible for connections that link sensory input and motor output with the brain's message centres, allow information to come in and to be sent back out.

By the age of 25, research shows, that neural pathways in the brain begin to solidify. With the right activities, however, our brains can grow more neurons, and create brand new pathways, thereby resetting our behaviour and forming long-lasting, positive habits.

Not only do we uplift ourselves, as well as our aspirations, on so many levels, e.g. through exercise routines, and better eating habits, but this is also good news for our ability to enforce new savings habits. Even as this is a rather slow process, the repetition of such behaviour is habit forming, with the average timespan for habit forming, pegged at around 66 days, and, this, according to the European Journal of Social Psychology. Considering that the average human being works for about 40 years, or 10 400 days, 66 days doesn't seem that much of a huge feat, and is easily attainable. So, the sooner we accustom ourselves to forming good habits, the longer we have to reap their benefits.

Transform your intentional goal into a habit

The good news is that to transform your goals (intent) into good habits, there are three different strategies, we can use, according to psychologists, comprising 1.) the cue 2.) the behaviour and 3.) the reward. Practically speaking, if financial security is your goal, then saving should become your habit. Here's a practical guide to get you going and to set you on course:

1. ***The Cue***

   A cue is a trigger, or prompt, that inspires action. In the context of investing, receiving your salary could be the cue. Unfortunately, for many, an external cue such your salary deposit, is a signal to start spending and not a nudge towards saving. If, however, our initial intention is to pay ourselves first, by saving before we spend, we will be well on the path to establishing a better habit. We need to, therefore, strengthen the factors that inspire this optimum kind of behaviour. May I suggest you try taking these steps:

   - Establish a routine: A cue to set aside time in the day to make your various payments, is when you wake up to the notification of your salary deposit. Firstly, top priority on the list should be a payment to yourself, by making a point of putting savings away before you start spending. Should you start doing this first, every month, as soon as you receive your income, the less your chances become of overspending and foregoing desired savings.
   - Foresee barriers: In today's world, most of us have multiple responsibilities, and, thus, consequent conflicting financial priorities. Therefore, do your best to predict any unforeseen challenges that may get in the way of your resolution. Barriers to saving often-times include any unexpected expenses. In South Africa, around 70% of earners are supporting extended family dynamics, which enforces the undesirable paradigm of expecting the unexpected. However difficult this may be, it would be wise to pre-empt these scenario's, as a way of preventing them from becoming barriers to your saving commitments. Another probable form of temptation, creating a barrier to our targeted saving commitments, is not making contingent plans for periods of the year for high expenditures like Black Friday Blitzes, the Festive Season, holiday excursions, night's out, etc, and the probability of excessive expenditure. If you are aware that there is one coming up, try to account for these, if possible, but never allow them to derail your long-term plans. After all, indulging in one chocolate doesn't mean you should give up your diet, just as giving in to one Black Friday splurge should not make you forsake your saving plan altogether!

- **Plan ahead**: Review your monthly budget well ahead of your salary date, and in this way, should you encounter any unexpected expenses, you have a window of preparation to make allowance for the necessary adjustments. Before you sit down to do your payments, establish the full picture, as this habit will help to alleviate the mental effort you need to make 'money-related' decisions and will allow for less complicated resolutions when you receive your cue.
- **Have a backup plan**: As much as the right cues can put us on the right path, life too can get in the way. This is where a backup plan proves to be an invaluable ally. If, in any particular month, you are unable to overcome the barriers you face, commit to making up your savings payment the next month, or when you receive your next unexpected windfall, such as a refund from the taxman or a bonus.

- *The Behaviour*
  Positive action: With deliberate and meaningful behaviour in order to ensure the establishment of a desirable habit, one course of positive action would be to consider the guidance of a good, independent financial adviser who will be able to give you sound advice on how to establish good financial behaviour that ensures good positive savings habits.
- **Define your intention**: It is imperative to be fully aware of what your intention is. Be clear and specific about what it is you want to achieve. 1) What are you saving for? 2) Is it long or short-term goals, or perhaps both? What is your desired outcome? Clear definition and intention will greatly determine the specific action that will be required to facilitate the realisation of your intention.
- **Be specific**: Commit wholeheartedly to a fixed amount within regular timeframes. By accounting for unexpected windfalls, we can dramatically reduce any related prospective losses. Commit wholeheartedly to a fixed amount and regular timeframes. Account for unexpected windfalls, and treat these as you would a salary, i.e. ''I plan to save 10% of my salary every month, and no less than 10% of any unexpected windfall.'' This pre-emptive mindset will help establish a behaviour that will assist with managing your money affairs more wisely when a windfall comes your way.
- **Take it slow**: Realistic goal-setting will improve your chances of sticking to them, with sustainability being key. An unrealistic goal would be to start by saving 50% of your salary. This would result in unsustainability of such a goal. Begin rather with an achievable and realistic amount, with an escalation thereon. For example: resolve to save R500 a month at the beginning, with a commitment of escalating this by 10% each year.

2. ***The reward***
   The final factor required to establish a good and lasting habit is reward, by using a carrot and not a stick to incentivise yourself. The importance of this, particularly when saving for the long term, when the reward seems just too far in the future, is that we struggle to identify with the end reward. Focussing on your progress, and celebrating each milestone, is a sure way to help sustain your behaviour over time.

Reference: Original article by Mzwinilia (Alan Gray) How to get into the habit of Savings this Savings Month