



**July 2021
Blog**

**Mending the Roof While the
Sun Shines -**

3 Counter Intuitive Tips



Mending the roof while the sun shines – 3 counter intuitive tips

With the summer holidays upon us, there is time for reflection and relaxation for some. For others, it's a time to maximise work opportunities (especially if you work outdoors) and 'fix the roof while the sun shines.'

Irrespective of age or demographic, there are many things that are good to do for our personal benefit, but procrastination kicks in and we don't do them. For example, for many, the New Year provides an impetus to address things like health and finances. However, there is countless research that shows only a few people stick to their new regimes for any meaningful period of time.

So, why not use this time of year to 'fix your financial roof while the sun shines'. I am not talking about using up tax allowances and shelters, combining pension pots to save on administration charges, or making a Will or Trust. These are all things that a good financial adviser will make sure you sort out at your next advice meeting anyway.

If the recent pandemic has shown us anything, it's the need to make sure our personal financial safety nets - our buffers and defences - are in good condition to weather any future harder times.

We can break these into 3 key areas (with counter intuitive tips to follow...):

1. Managing debts
2. Reviewing expenditure
3. Deferred savings

1.

Managing Debts

If you have more than one debt (e.g. credit cards, loans, mortgage), logic suggests addressing the debt with the highest interest rate first by overpaying. However, behavioural economics research suggests that you may form better long-term financial habits by clearing off the debt with the smallest outstanding balance first. By doing so, it creates a feeling of success, completion, closure, and satisfaction. It's more likely to lead to you continuing onwards and clearing your next debt.



3.

Deferred savings

We all know the phrase ‘don’t put off until tomorrow, what you can do today’ but what if you decided to save, but selected the date to start in a few months’ time, rather than now? Logic suggests that the sooner you start the better it will be, as you build up funds more quickly. However, to some it means that the ‘pain’ of saving money hits sooner, which can either decrease the amount you are willing to save regularly, or even put you off doing it all together. Behavioural research has shown that if we decide set a start date a short time in the future, and can tie it in with an event, such as a salary review, birthday, or the end of term, then we are more likely to select a more realistic amount to save. So, when the time comes for it to start, we feel far less impact emotionally and logically to our disposable budget.

Like the old Chinese proverb says, ‘the best time to plant a tree is now, and twenty years ago’. So, there really is no time like the present to get on and ‘mend your financial roof while the sun shines.’

Hopefully these tips can help you override life’s natural inertia, and if you need more nudges to help, please get in touch.

