

**WTNS Radio OSU Extension Update for March 1, 2021**  
**Healthy People. Healthy Finances. Healthy Relationships.**

On today's OSU Extension update for Healthy People, Healthy Finances, & Healthy Relationships we'll talk about saving money and look at some upcoming programs from OSU Extension.

Do you remember the story of the ant and the grasshopper? This is one of Aesop's famous fables. As the busy ant toils during summer to store food for winter, the carefree grasshopper plays, enjoying the sunshine and eating his fill. When winter comes, the ant has plenty to eat, but the grasshopper has nothing.

Some people seem to be wired to behave more like the ant while others tend to be more grasshopper-like. A 2016 study published in the Journal of Consumer Research explored the concept of individuals having a "Personal Saving Orientation." Their theory is that savers support a variety of activities that are performed consistently and incorporated into their lifestyle. Some of these money saving activities are habits and routine, but some relate to being opportunistic and intentional.

Does that mean individuals with a lower Personal Saving Orientation are simply doomed to suffer the grasshopper's fate? No, there is hope for spenders who want to save. It starts with understanding our biases that influence our actions. In the money world this is called behavioral finance. Some of the struggle with saving money is hardwired into our brains. Much of the struggle is how we are socially influenced by people and situations in our environment.

Pulling the curtain back and discovering these biases can empower us to behave in ways that move us closer to our savings goals, rather than enslave us to habits we may be blind to. Here are some biases that influence our financial behaviors.

**Present bias:** We procrastinate and favor immediate rewards over far-off benefits. The present carries more weight relative to tomorrow. How often do you imagine yourself in 20 years?

**Limited memory:** We only have so much room in our brain to remember and worry about a certain number of things. Some people fill this capacity with more immediate rather than long term things.

**Exponential growth bias:** Time is our friend when it comes to saving. Starting to save small amounts and letting them grow with compound interest is way better than waiting until later.

**Herding bias:** Following the crowd can show up in savings behaviors, too. We tend to go along with the savings and spending habits our friends have.

**Loss Aversion:** For some people, transferring money into savings seems like they are losing it, or at least losing out on the pleasure from immediate spending.

**Inertia:** Inertia is the tendency to not change how things are and retain the status quo. Starting new habits, like saving money, can be challenging at the beginning.

This topic of behavioral finance can be big business for companies that are trying to increase the money they get from us. The 2017 Nobel Prize winner in economics, Richard Thaler, introduced the “nudge” concept. Economic theories make assumptions about humans when formulas and algorithms are created. Thaler explored the concept that humans do not act entirely rationally, because emotions and biases are real.

He found that our human nature is to go with the default option. If we can set up healthier and wiser default options for ourselves, then we will have fewer opportunities to make unhealthy and unwise choices. We purposefully can nudge ourselves away from acting on the laundry list of human biases we have.

When it comes to savings, the best nudge we can create for ourselves is automatically saving. More than 93% of U.S. workers receive their pay by direct deposit. It is easy to have that deposit split into a checking account and a savings account. Find more automatic savings tips at [americasaves.org](http://americasaves.org). And here are some wise words from Warren Buffett: “Do not save what is left after spending, but spend what is left after saving.”

The “East Ohio Women in Agriculture Program Series” continues next Thursday with a panel about agricultural loans. A total of 10 webinars and 3 field days are being held through May on a variety of financial, production, and home-related topics to help women in agriculture. Some of these upcoming topics include fruit tree pruning, farm stress, raising livestock on 5 acres or less and much more. Visit our website to register for one or more of these free programs.

In closing, at OSU Extension, we are proud to work for Coshocton County to help improve our families, farms, and businesses. Please feel free to contact OSU Extension for more information at 740-622-2265 or visit our website at [coshocton.osu.edu](http://coshocton.osu.edu). Make it a healthy day!