How to get into the habit of saving this Savings Month

Depending on what they are, our habits will either make us or break us – Sean Covey

If you have tried to kick the sugar habit and eat only healthy food, or give up cigarettes and replace the habit with going to the gym, you can probably attest to the fact that old habits are hard to break and new habits are hard to form. According to psychologists, this is because the behavioural patterns we repeat become imprinted in our neural pathways. Just as computers are hard-wired with electrical connections, so too our brains are hard-wired with neural connections that link sensory input and motor output with the brain's message centres, allowing information to come in and be sent back out. Research shows that neural pathways in the brain begin to solidify by age 25, however with the right activities in place, we can grow more neurons and create new pathways, and through this we can reset our behaviour and form positive, long-lasting habits.

This is good news for our aspirations to uplift ourselves on many levels – for example, through better eating and exercise routines. It is also good news for our savings habits. Habits are formed through repetition – but the process can be rather slow, with the average time taken for a habit to become automatic pegged at about 66 days, according to the European Journal of Social Psychology. However, if the average human works for about 40 years, or 10 400 days, 66 days doesn't seem that much. The sooner we form good habits, the longer we have to reap their benefits.

Transform your intentional goal into a habit

There are different strategies we can use to transform goals (intent) into habits. Psychologists explain that a habit comprises three parts: the cue, the behaviour and the reward. If financial security is your goal, you need saving to become your habit. Here's a cheat sheet to set you on course:

1. The cue
   A cue is a trigger that inspires action. In the context of investing, a cue could be receiving your salary. This is an external factor that should nudge you towards action. Unfortunately, for many of us receiving our salaries is a cue to start spending. If we pay ourselves first, by saving before we spend, we will be on a path to a better habit. But this will mean we need to strengthen the factors that inspire the right behaviour. Try taking these steps:

   - Establish a routine: When you wake up to the notification of your salary instalment this should be a cue to set aside time in the day to make your various payments. Add yourself to the top of the list – make a point of putting your savings away before you start spending. If you do this every month as soon as you receive your salary, you have less chance of overspending and foregoing saving.
   - Plan ahead: Review your monthly budget ahead of receiving your salary. If you have any out-of-budget expenses, account for them and adjust your other figures accordingly. Establish the full picture before you sit down to do your payments. This will help reduce the "cognitive load", or the mental effort you will need to use to make your money-related decisions. It will also make your resolutions easier to follow when you receive your cue.
   - Foresee barriers: Most of us have multiple responsibilities and conflicting financial priorities. Try to predict any challenges that may get in the way of your resolution. Barriers to saving could include unexpected expenses – in the South African context, where 70% of earners are supporting extended family, one has to get used to expecting the unexpected. Try to plan for these to prevent this being a barrier to your saving commitments. Of course, barriers can also come in the form of temptation. If you know there is temptation coming up (Black Friday, the Festive season, etc.) account for it so that your long-term plans are not derailed. Indulging in one chocolate doesn't mean you should give up your diet!
   - Have a backup plan: Cues can put us on the right path, but life can get in the way. That's where a backup plan comes in. If you are unable to overcome the barriers in a particular month, commit to making up your savings payment the following month, or when you next receive an unexpected windfall, such as a bonus or refund from the taxman.

2. The behaviour
   Establishing a habit requires meaningful action. To make an action stick, your behaviour needs to be considered and deliberate and you may benefit from some guidance from a good, independent financial adviser:

   - Define your intention: Be clear about what you want to achieve. Are you saving for short-term goals, long-term goals or both? Your intention will determine the detail of the action you need to take.

- **Be specific:** A vague aim of "saving as much as I can" will probably not cut it, because you can reinvent what you meant when it doesn't suit you. Rather commit to a specific amount and regular timeframe. Try to account for unexpected windfalls by treating these as you would a salary: "I plan to save 10% of my salary each month and at least 10% of any unexpected windfall." Doing this upfront will help manage your behaviour when money unexpectedly comes your way.
- **Take it slow:** Set realistic goals. This will improve your chances of sticking to them. Sustainability is key. It may be unrealistic to start by saving 50% of your salary, so setting such a lofty goal can work against you establishing the habit. Rather begin with an achievable amount and put an escalation in place. For example, you can decide to save R500 a month at the beginning, with a commitment to raising this by 10% each year.

3. The reward
The final component required to establish a good habit is reward. Use a carrot not a stick to incentivise yourself. This is particularly important when saving for the long term, when we can feel very disconnected from the reward which is far into the future, and we struggle to identify with this future self. Focus on your progress and celebrate each milestone. This will help sustain your behaviour over time.

Commentary contributed by Lettie Mzwinila