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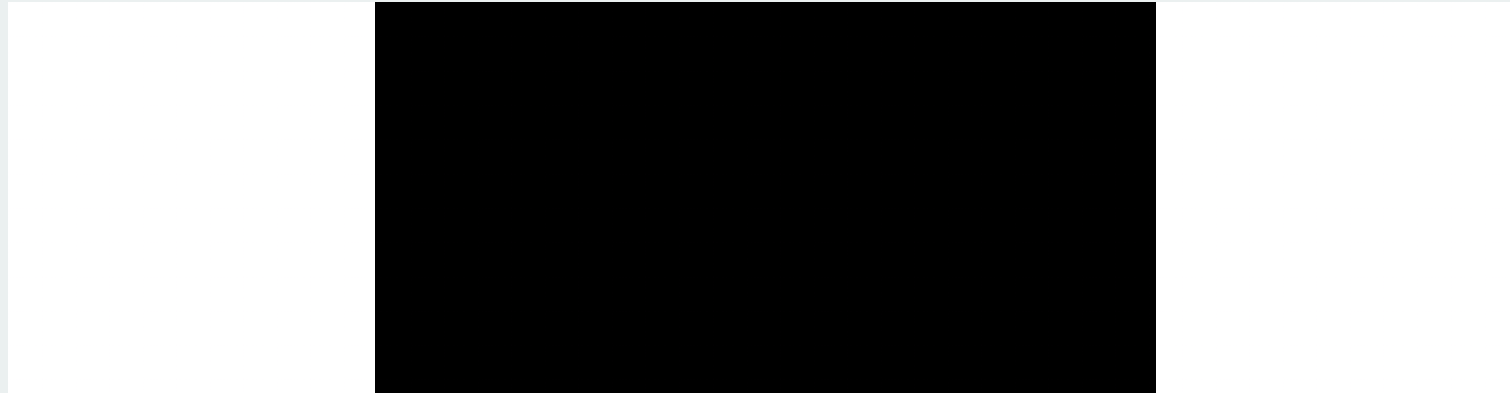
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Budgets And Budgeting

Why Are We So Emotional about Money?

by Rakshitha Arni Ravishankar

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Summary. If money brings up a lot of emotions for you, you're not alone. Financial expert Ramit Sethi explains our relationship with money is just as personal and valuable as any other relationship in our life. Here are some ways to build a healthier relationship with... [more](#)



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How do you feel about money?

I'll go first. Money allows me to pay bills and function in a capitalistic world, but besides that, I don't associate positive emotions with it.

Money, I imagine, is something that belongs in my future. I feel greedy every time I spend it on myself and often fall into the trap of comparing

my financial situation to that of my friends. I spiral into a dark hole of negative self-talk — the expensive events I can't afford playing on a loop in my head — because I know I will spend my entire 20s chipping away at my massive student loan debt.

Money is messy. It's complicated. It's oh-so-very-emotional. I know I'm not the only person who feels this way. So, how do we cope?

According to Ramit Sethi, author of [*I Will Teach You To Be Rich*](#), the psychology behind our relationship with money is *very* underrated. In his [new podcast](#), Sethi dives into the confusing emotions many of us feel when it comes to our finances. His advice is clear: Our feelings are almost always unrelated to the financial decisions we make and indicative of something much deeper.

I spoke with Ramit about what makes money so emotional and how to build healthier relationships with it. Here's what he had to say.

Why is money such an emotional topic?

Anything important in our lives is emotional. Our relationships are emotional, our work is emotional, and so is our money. One of the misconceptions about money is that it's all math. We believe that there is a mathematically correct answer for questions like, "Should I buy a house or rent one?" or "Should I go to graduate school?" or "Should I take this job?" or "Should I negotiate a higher salary?"

Sure, doing the math can help you answer these questions, but there's no foolproof formula to making money decisions.

Buying a house can mean you don't have to pay rent. Renting, on the other hand, can help you live in a city you've always wanted to live in.

Going to university might be your route to a better career or to a promotion. Our relationship with money is just as personal and valuable as any other relationship in our life. So, it's an emotional topic — as it should be.

I find that the feelings money elicits in me are mostly negative, and this is true for many of my peers. For example, I have a student loan that I've been repaying for the last five years. Even though the loan paid for my college education, I feel a lot of shame and guilt when I think about my debt. Rationally, I know getting the degree was a good decision, but it doesn't *feel* good anymore. I feel anxious when I look at what I'm earning versus how much I'm saving and investing. How do I get out of this cycle of negative emotion?

First of all, it's very normal to feel different emotions at different stages of your life. Imagine that you are going out to climb a mountain. You spend months training for it, you buy your gear and equipment, and you get to the bottom of the mountain. You feel good. That's how a lot of us feel when we're starting college and applying for a loan. You may not fully understand how that's going to impact the rest of your life but you're ready to go.

Then, you start climbing the mountain and you reach the first peak. You may look around and say, "Wow, I climbed a long way," but you also realize there's a lot further to go than you realized. You might start thinking about everything you need to do to keep going. The end of college can feel the same way. Now, you have a college education, but you also have debt.

This is where it gets tricky because a lot of us fixate on all the feelings around how much there's left to do. In terms of a loan, that looks like thinking about what you've mortgaged, the interest on your loan, how

much money you have to set aside every month to make a payment, and the kind of job you'd have to do to get where you want to go next.

Often, this feeling can be aggravated by looking around and comparing yourself to others or even your own life before you took on debt. You can't go on vacation, but your friends are able to. You feel like you're missing out. Someone just bought a car, but you're not able to afford a car right now. Maybe your parents are helping you out to repay your loans, and that makes you feel guilty. Slowly, you may begin to ask yourself if it was worth it.

Do any of these resonate with you?

All of them! You're right about the journey. Even after five years, it looks like I have a long way to go. Is that normal?

It is. But your feelings are not correlated with your debt. You may think that paying off your debt will make you happy, but once you do, there's going to be another thing to worry about. This doesn't mean that your feelings aren't valid. It just means that your emotions don't always give you the full picture of your financial situation.

Let's try this instead: What do you imagine your life would be like if you didn't have any debt?

Honestly, debt feels like an obstacle. If I could remove that obstacle, I imagine that I'd be able to make choices more freely.

Okay, let's look at that more closely. When you speak about debt, it sounds like you want to go back to zero and start fresh.

This is classic example of a scarcity mindset, where you are focused on what you don't have, or you believe there will never be enough of

something. This could be money, time, or anything really. This scarcity mindset can make you operate from a place of fear. You're playing not to lose instead of playing to win. You feel like you have to give up on vacations. You might be afraid of negotiating your salary because you're scared of losing your job — and having a job feels more secure than asking for what you want.

Often, it's this feeling that people in your situation need to work on. I know it may be difficult to believe, but this feeling of scarcity or fear doesn't go away after repaying a debt.

Even if you were to win \$1 million tomorrow, you would find yourself stressing about something else in life, for instance, what to do with that \$1 million or if it's even really "enough" money to live the life you want. Your mindset won't change unless you specifically work to improve it.

Here's what I want you to know: You don't have to wait another five or 10 years to do what you really want to do today.

How does one shift their mindset? It doesn't sound easy at all.

Yes, it will take time. The simplest way to reframe this kind of thinking is to flip how you think about your financial decisions. Instead of thinking about everything your loan couldn't do for you, ask yourself what you gained from it.

Perhaps you gained an opportunity to study abroad or live on your own. Perhaps you met people who you still have relationships with, who taught you things, and or who you had valuable experiences with. Empirically, we know that those with a college degree have access to better jobs and incomes. That's a win for you. Pay attention to it.

Another long-term approach to changing your mindset is investigating your ideas, thoughts, and feelings about money.

The first step is to think about what I call your "rich life." When you're thinking about your finances, ask yourself why do you want to be rich? What does money mean to you and what are you working towards?

You're not just applying an arbitrary monetary value to buying a fancy car or luxury handbag (although those are perfectly fine) but looking deeper to understand what you want your life to look like.

We all have a rich life, and everyone's definition is different. Money is one part of your rich life but what else does it include? Get as specific about your rich life as possible. If you want to travel, what would the destination be? Do you know the exact date and year you would want to travel to this place? If you want a better job, what does that better job look like? Can you visualize the role, the company culture, your pay package, and what kind of projects you'd want to work on?

You can also go even more granular and ask yourself what you'd want today to look like.

This exercise is all about understanding who you are and what you want your life to look like as precisely as possible. Don't be afraid to change this vision. It's likely that some of your values and priorities will shift over time. Let your rich life help you become aware of what you want your life to look like every day — and use it to stay grounded.



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I want to take a step back. Can we talk about where our feelings about money really come from? What shapes them in the first place?

Our psychology around money is usually connected to our early understanding of money. It stems from the families we grew up in, the media messages and culture surrounding us, our experiences of earning or losing, and the value systems we build ourselves as we get older. It can also be influenced by external factors like economic or political instability.

Think back to your relationship to money growing up. What were some of the first money memories you have with your family? How did your parents or community talk (or not talk) about money? Do you remember the words and phrases they used?

Answering these questions will help you recognize where your feelings about money are coming from. If you grew up in a household where you had to be frugal, it's likely those beliefs play into your own financial decisions as an adult today.

While we are talking about this, I want to highlight something about our conversation. We've attributed a lot of feelings to money and financial decisions. But you know what we haven't spoken about yet? Joy. Money doesn't have to be stressful and scary. Understanding money can be fun. It can be joyous. It can also make you feel confident and accomplished.

That's a great observation. So how do we build a healthier, and happier, relationship with money?

First, know that emotions are okay. You don't have to remove your emotions from the financial decisions you make. Use them to understand your values, your fears, your needs, and your wants. For instance, you can want to go on a vacation and you can want to invest. That doesn't make you indecisive or greedy. It makes you human.

Second, become fluent in the language of money. That means, understand what compound interest, investments, etc. mean. Educate yourself about these concepts. Often, money seems scary because we don't understand it.

If you have a student loan, for example, look at different options to repay it. Figure out how long it might take, and if you can, calculate exactly on what date you're likely to be debt-free. Make a plan. Then, automate your payments so that they feel stress-free. The more specific and organized you get about your finances, the more in control and the less fearful you'll be.

Finally, try to be inspired by money. It doesn't have to be a thing that worries you. It can also motivate you. It can help you create joy and opportunities. When you go out and eat at a restaurant, [buy a gift for a friend](#), or support your parents, you are not just paying the bill. You're experiencing something. That could be eating a hearty meal, feeling happy about your own generosity, or showing people how much you care about them. Each of these gestures have more meaning than a price tag.

When it comes to personal finance, there's a lot of contradictory advice. How does one evaluate what financial advice works for them?

Today, being able to determine what is true versus what is not is critical. It's also a skill that may take time to build. Personal finance, in

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particular, has a lot of advice that is not representative of everyone.

I believe that empathy separates great financial advice from the rest. It's easy to tell people the right thing to do, especially when you have the expertise. Empathy, on the other hand, is understanding that everyone — regardless of their age, gender, race, identity — has a vision of what they want their rich life to look like. The financial decisions a 20-year-old man with an Ivy League degree will make are going to be very different than the financial decisions of a single mother in her 30s, due to a number of factors.

Financial advice worth listening to aims to help people use money to reach their unique visions and goals. Sometimes, that might mean going a little slower, and sometimes that might mean having to push a little harder.

A great financial advisor will listen, try to understand where you are, and what you need in your current stage of life. Then, they will make an effort to meet you there.



Rakshitha Arni Ravishankar is an associate editor at Ascend.



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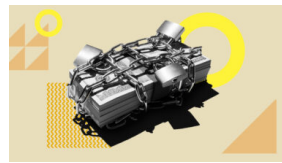
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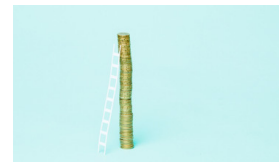
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