



Observations

Why Is It So Hard to Talk about Money?

10 financial questions for the one you love

By Ingrid M. Paulin, Wendy De La Rosa on March 22, 2018

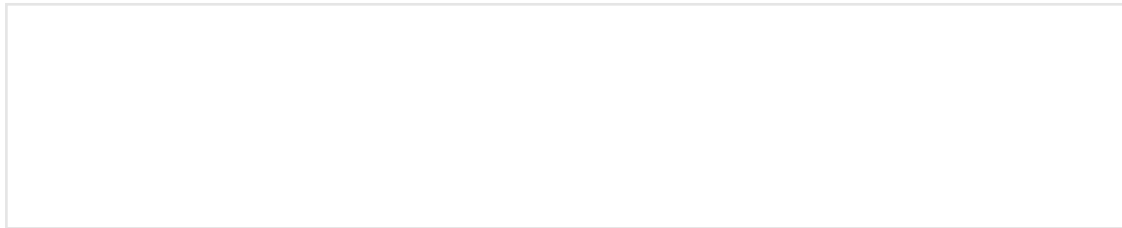


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Over the course of our lives, there are many uncomfortable questions and conversations to be had. Those dealing with money are perhaps the most persistent and difficult.

A survey by Wells Fargo found that 44 percent of Americans see personal finance as the most challenging topic to discuss with others, more so than subjects like death, politics, and religion. And despite the fact that money is a leading cause of stress in relationships (and commonly cited as the primary reason couples divorce), *Time* magazine reports that 40 percent of couples don't discuss how they would manage their money before getting married.

The repercussions of not talking about our finances can be severe, with negative consequences to our health, wealth and happiness. When we conduct field research with the Common Cents Lab, our goal is to understand money decisions and motivations better. In our interviews, we frequently encounter individuals that accumulate crippling debt, miss opportunities to save, or are unaware of basic financial strategies that would improve their well-being—often because they were embarrassed to ask their friends and family for advice about money.



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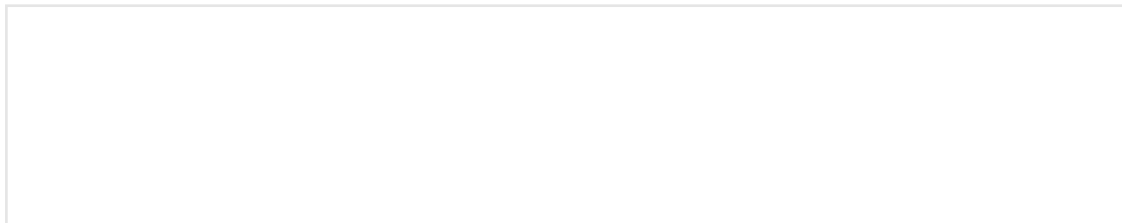
The research is clear that good things can come from being more open to discussing money. Often, our friends and family are the most available resources and can help jump-start positive money decisions. And if they feel like the issue at hand is beyond their pay grade, our loved ones can help us realize that external advice might be needed.

So how should we approach this sensitive subject? Below are strategies for engaging those closest to us about money and how they might best help.

FRIENDS AND FAMILY

A more open approach to having discussions about money can lead to better financial outcomes. In a 2009 [study](#), researchers found that students from households that spoke openly about finances were less likely to have problems with impulse spending and had significantly less credit card debt. Simply asking friends and family about their personal finance strategies and experiences can also lead to valuable insights gained from what they've learned.

Further, it's possible to make friends and family a more active participant in your day-to-day financial life. One way to do that is to make them hold you accountable for your behavior. Researchers Felipe Kast, Stephan Meier, and Dina Pomeranz found that peer groups helped Chilean micro-entrepreneurs save more. [Their study](#) showed a remarkable 3.7-fold increase in the number of deposits made by people who had the option to publicly announce their savings goal, which was then monitored in weekly meetings. When we make a commitment to a goal and feel accountable to someone, it's easier to follow through. Encouragingly, the study showed that text messages were almost as effective at keeping people accountable as in-person meetings!



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SPOUSE OR PARTNER

Given that money can be a source of so much strife between couples, it's obvious that partners should make an effort to be more open about financial concerns and plans. But there's another argument in favor of openness: Joint financial decisions can make us more risk-averse and less prone to errors.

This was demonstrated by Ian Bateman and Alistair Munroe's study at the University of East Anglia, which compared the risk profile of financial decisions made by individuals versus couples. They found that joint decision-making results in fewer financial risks.

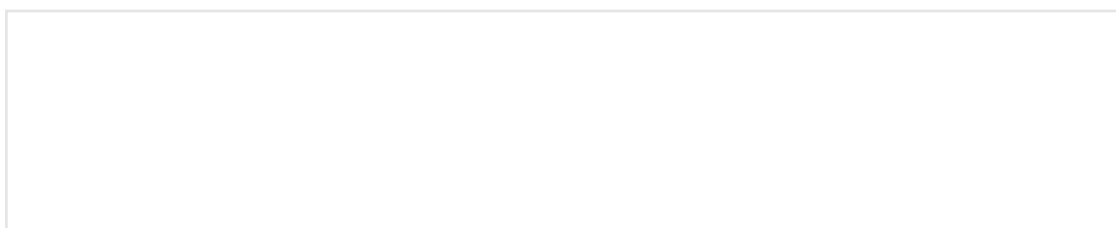


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Enlisting a spouse or partner in financial decisions can be a key financial health strategy then because avoiding unnecessarily risky financial decisions can lead to positive outcomes, such as a higher nest egg for retirement. Joint decision-makers also become less susceptible to behavioral biases such as framing effects.

WHAT DO I DO NEXT?



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While many people intuitively understand that open conversations with friends, family, spouses and employers about finances are beneficial, taking that initiative is difficult. The simple act of scheduling a specific time for a conversation can be a good first step. Use this basic tool to commit to a time and even send a reminder to yourself.

Once you have a time on the calendar, it can be useful to prepare questions in advance. Already having a few questions ready removes some of the anxiety and can keep the conversation on track. To help, we have prepared a short list of

starter questions:

1. What is the best piece of financial advice you've ever received?
2. What are your long-term financial goals?
3. How do you measure your financial success?
4. What is a question you have about money that you've always wanted to ask someone?
5. About what percentage of your income do you spend on housing? How did you decide on that amount?
6. How would you deal with a large unexpected expense? Do you have money saved up or someone you could ask for help?
7. Are you currently saving money for retirement? Are you happy with how much you are saving?
8. Do you and your partner set a financial budget for your home? Do you have any good tips on how to find something that works?
9. Have you ever successfully negotiated a pay raise? How did you do it?
10. What's one thing you wish your parents would have done differently financially?

When we increase transparency about money, we often find that we're not the only ones with questions and concerns. After all, personal finance can be a complex world to navigate. Opening up about the things we are comfortable sharing can help us gain allies that keep us on track to reach our goals.

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