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THE HOME ECONOMIST: Reward yourself with freebies and you'll be closer to your financial goals

Rewards are fine motivators, say experts — if they're for actual accomplishments, not just good intentions.

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Loren Ridinger is famous in Miami for co-founding product-brokerage company Market America — as well as the financial rewards her business has reaped. (You know, the yacht and the mansion.) But lately, Ridinger has also become known for her website, LorensWorld.com.

This year finding its way on to Forbes' list of Top 100 Websites for Women, it's where Ridinger spends a fair amount of time advocating empowerment. In one recent post, she says we should strive for great accomplishments and, after each success, reward ourselves. Her incentive suggestions include whipping up a homemade skin-care cream or turning off our cell phones so we can enjoy peaceful hour.

"Buying 'things' is fine for a fleeting moment," she says. "But the rewards that come from love — time to yourself, or lunch with someone you enjoy — are longer lasting."

Most experts will agree, saying that inexpensive, attainable rewards are healthy motivators provoking us to tackle all sorts of unpleasant and — we may be surprised to learn — enjoyable tasks. But now researchers are finding that if, during those slow Miami summers, we do finally find time to clean the garage, write our novels, or even earn extra money, we won't follow Ridinger's advice in its entirety.

Oh, we'll reward ourselves, all right. But it's more likely we'll do so by spending money on items we don't actually need — inadvertently treating ourselves to higher credit card bills and, consequently, lower savings accounts.

"We find that anytime people get a sense of feeling good about themselves," says Keith Wilcox, an assistant professor of marketing at Columbia University, "it can increase their spending."

Wilcox has headed several experiments focusing on accomplishments and rewards. In one, college students were divided in two groups — the first that was left alone and the second that was asked to write about a personal triumph. Later, when offered the



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opportunity to choose between a gift certificate for school supplies or one that could be used for pure entertainment, those who had been set up to feel proud were almost always more extravagant. In another study, people primed for pride bid more money on auction items.

“When we get the sense we’re doing well, we’ll engage in bad behavior,” says Wilcox. Wilcox calls it The Accomplishment Trap and says that many of us don’t even have to meet a target or goal to overspend. We can – just as his subjects proved – feel good about our intentions or past ability to save money, clean the garage or lose weight. And unknowingly, we reward ourselves for something we haven’t even done.

“When people intend to do something virtuous they may still reward themselves in some shape or form,” says Wilcox. “And it takes people further from their goals.”

Miami financial advisor Ellen Siegel sees it all the time: people who use their financial accomplishments to chip away at their economic targets. Professionals, for example, who get big raises at work but buy expensive cars before even cashing the first paycheck. Or shoppers who celebrate their – finally – low credit card balances with what they would consider a well-deserved spree.

While those and similar accomplishments may be reward-worthy, the prize should be purchased with money set aside for just that reason, says Siegel. She suggests simply emptying your pocket change into a jar each day – it adds up – and spending that amount when you feel it’s been earned.

“Be very clear about what you’re trying to achieve,” says Siegel. “And reward yourself in a way that doesn’t wreck those achievements.”

In addition to maintaining a healthy financial outlook, you’ll also want to keep an eye on what’s mentally motivating your achievement-reward cycles, says Dr. Fran Berman, a licensed clinical psychologist on Miami Beach. We should be driven by intrinsic values, she says, which is an internal desire to maintain a manicured lawn or finish a client proposal. She says if we’re working solely for the reward – particularly if that reward is being dangled by another person – then we’ll soon lose sight of ourselves.

“We have to ask ourselves whether we’re doing something because it makes us feel good or because someone will give us a reward,” says Berman. “Because if it’s to please someone else, and they take away that reward, we’re left with an empty hole. We hadn’t been working for the right reasons.”

*This is a monthly column by Miamian **Brett Graff**, a former U.S. government economist who writes about how economic forces are affecting real people.*

