

The Home Economist: Power leads to savings - and it's all how you feel

Brett Graff

www.TheHomeEconomist.com

PUBLICATION: Miami Herald, The (FL)

DATE: May 16, 2014



Brett Graff is a reporter & former U.S. government who writes about the economic forces affecting real people.

South Miami High School teacher Patricia Acosta says she feels powerful at work. Though she can't control the economy - a force affecting school district coffers - she can make sure her students perform well. And it's those test scores that determine Acosta's evaluations and bonuses. Perhaps that's why - if you believe new research - she chooses to use payroll deductions to invest a portion of her salary for retirement - a life chapter she can already envision.

"No one can take that money away from me," the ESL teacher says. "I can travel anywhere and teach English."

Acosta and other people who feel powerful at work - they don't have to actually be powerful, just feel that way - are more likely to forgo putting money in their pockets today in favor of larger returns tomorrow, says Priyanka Joshi, a researcher at University of Southern California. But people who feel they have little control over resources or decisions are more likely to lack the kind of patience required to wait for bigger returns later.

"Your sense of power can affect something as important as your future," Joshi says. "When people feel powerful they're more likely to make investments with gains later on. They have a longer time horizon."

Don't get the wrong idea: Powerful people don't have more self-control and they're not better at looking ahead, Joshi says. Remember, it's our perception of power that counts here. That means a manager supervised by a demeaning board of directors can feel weak, opting for smaller amounts in the present, she says. While an administrative assistant with the ability to control work assignments is more likely to wield the kind of forbearance necessary for a richer financial future.

"It's not how much power you have but to what extent you feel power," Joshi says.

In the experiments Joshi conducted, none of the subjects had any power. In one, they were all college students who were randomly assigned roles - some as managers responsible for allocating cash, others as workers having no control.

Afterward, the researchers asked a simple question: Would you rather get \$100 now or \$110 in the future? The fake managers more often took the 10 percent return - that's better than any bank - while the mock workers did not.

"When participants are primed with power they feel more connected to their future," Joshi says. "They feel they have greater control over their environments and future outcomes."

All of us can feel more powerful, says Jeffrey Pfeffer, a professor at Stanford University and the author of *Power: Why Some People Have it and Others Don't*. We can start by doing simple exercises, such as thinking back to times when we felt influential and in control, he says. And we can be more strategic by making ourselves noticeable - participating in conversations, volunteering for simple tasks, taking initiative - because people like what's familiar. No one does equally well in all aspects of a job, but we can emphasize to others the ones in which we excel. And we can ask people in power the aspects of our jobs most important to them - because if someone has control over you professionally, you'll want to produce the results she considers important.

"Mostly, what people need to do is get over believing the nostrums of the feel-good leadership industry, which emphasize their being modest, authentic, truthful," he says. "None of which, of course, characterizes those individuals who actually have power."

If you still can't get traction at the office - feeling burned out and depressed - it might be time to find a new position, says Kristen Polbert, a career counselor in downtown Miami. Go to networking events such as those listed on meetup.com and ask others about potential job opportunities. Refresh your resume not only with job experiences but also skills - such as forecasting sales, creating strategic partnerships - so you're ready to present yourself on paper.

"Get really clear on what you want," Polbert says, "and develop a more empowered mindset."

Once you're feeling fierce and ready to start waiting for long-term results, remember to expect only reasonable returns, says Ellen R. Siegel, an independent financial planner in Miami, who turns down investment offers that she considered too-good-to-be-true. While everyone's appropriate risk tolerance will vary depending on income and age, anything much above a generally acceptable amount is likely to come with serious financial dangers. When evaluating a startup company or one in an emerging market, returns over 12 percent most likely come with a catch.

Over 10 years, a diversified portfolio of blue chip stocks, income-producing securities and debt might return on average about 10 percent. Don't risk anything you can't afford to lose.

"Diversification is the answer," Siegel says. "Volatility is controlled over time when you mix assets."

*This is one of an occasional series of columns by Miamian **Brett Graff**, a former U.S. government economist who writes about how economic forces are affecting real people.*