YOUR NET WORTH ISN'T YOUR SELF -WORTH

Anne Lester

Jodie felt she was being responsible.

She made all her purchases with a debit card, so she'd never carry a balance. Her parents had struggled with credit card debt after the 2008 financial crisis, and she grew up believing it should be avoided at all costs. She wanted nothing to do with big banks and the sky-high fees they charged.

But not having a credit card meant Jodie could not buy the things she desired on her limited income as an editorial assistant at a book publisher. She couldn't do the things she saw her friends doing, like upgrade her wardrobe, fly across country to her friend's wedding, or snag concert tickets.

Then, one day, she saw a new payment option appear on Amazon: "Buy now, pay later." There was no interest and no credit involved; you just had to make fixed payments from your checking account to spread a purchase over time. She could finally replace her eight-year-old laptop with Affirm, buy airline tickets with Afterpay, and buy a new leather jacket with Klarna. It seemed easy and responsible, and all her friends were doing it. All that was required was a small deposit and a cursory credit check.

Jodie discovered that seemingly everyone offered a buy-now-pay-later (BNPL) option. Even brick-and-mortar locations like Whole Foods offered BNPL at checkout.

Then she discovered an app called Flex that allowed her to finance half her monthly rent payment and pay it back in installments (along with a $14.99 monthly membership and a processing fee). Everything she had been unable to afford suddenly seemed within reach.

But a few months later, she was overwhelmed with installments. She was spending two-thirds of her income on purchases made months earlier. The 0 percent interest ballooned into 30 percent interest after she missed a payment. Finally, Jodie had to ask her parents to help bail her out. The shame she felt was so intense that she could barely look at herself in the mirror.

And yet, Jodie is hardly alone. Nearly half of Gen Z has tried a BNPL app, and users under twenty-five have the highest rate of default rates. We live in a time when you can Afterpay a luxury trip to Fiji, while Uber Eats lets you finance Shake Shack orders with four easy payments for $4.99. With apps that effectively gamify purchasing expensive things and experiences, it's never been this easy to spend beyond your means.

THIS IS YOUR BRAIN ON MONEY

Truth is, as dangerous as BNPL is, it's just pouring jet fuel on a fire that's been burning for a lot longer than online shopping has existed. We make impulsive purchases for the very same reason that we browse social media for hours instead of doing work, or order Chipotle instead of cooking a healthy dinner.

Every decision you make, whether it's choosing what to watch on Netflix or buying a new car, boils down to an epic battle being waged in your brain. It's a feud even older than Coke vs. Pepsi, Nike vs. Reebok, the Jets vs. the Sharks, Alien vs. Predator, or Yankees vs. Red Sox. I'm talking about the emotional brain vs. the logical brain.

Your emotional brain responds to instant gratification. It avoids thinking about the future at all costs. It sees something shiny in front of you and wants it right now. Why have dinner when you can have dessert? Why do laundry when you can watch the latest episode of *White Lotus*? Why save for retirement forty years from now when you can finance a new Tesla right now? Sigmund Freud called this subconscious area of the brain the "id," which contains all of our urges and impulses and responses solely to pleasure. The id is not affected by logic, reality, or the future. In other words, *if it feels good, do it.*

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The emotional brain's mortal enemy, the logical brain, is constantly trying to reason with you. You can't just eat dessert because your teeth will rot. You have to load the washing machine or else you won't have underwear tomorrow (and besides, *White Lotus* just isn't that good anymore). You can't buy a Tesla because you need to prioritize your retirement; your ten-year-old Subaru may not be the hottest wheels on the block, but it will still get you to work and back.

When your emotional brain wants to max out your credit card, eat a tray of brownies, and drink three martinis, your logical brain is considering the health and financial consequences of your decisions. Sometimes your emotional brain wins the fight, and sometimes your rational brain wins the fight.

Simply put, our brains did not evolve to shop on Amazon. Scientists generally agree that our ancestors' brains reached the shape and size of present-day humans about a hundred thousand years ago during the Paleolithic period, when we lived in caves, huts, and tepees and spent our days hunting and gathering. Instead of iPhones and AI software to make life easier, we relied on basic stone tools. Food was scarce, and to survive we ate what was in front of us. Evolution favored *now*, not later. For most of human evolution, our brains resided in bodies that rarely lived past age thirty. And now we expect these same brains to dutifully put another critical resource– money–in a retirement account we can't access for forty more years?

Hardwired into us is a bias called future discounting. It means we instinctively add more value to something that's happening now–like, say, running away from a sabretooth tiger–over something that will happen in the future. Future discounting is why we watch "just one more episode" instead of studying for an exam or getting enough sleep for a big day at work. Pleasure seeking and future discounting have served us well for millions of years. Unfortunately, they're just not as useful today, even though our brains are still stuck in the stone age.

All this is to say that... your poor brain is up against a lot! Can you find it in your heart to forgive it?

DON'T GET SUCKED INTO A SHAME SPIRAL

There are few more stressful things in life than the aftermath of a poor financial decision. If you mess up at work, you may have to deal with some grief from your boss, but the pain is temporary. On the other hand, financial mistakes can take years to recover from, and the emotional effects persist long after the debt is repaid.

For most of her life, Lindsey dreamed of being a veterinarian. She volunteered at her local shelter during high school, completed all the prerequisite classes during college, and aced her GREs after spending months preparing. She managed to get accepted to a top-ten program, despite it being harder to get into than medical school, and eagerly signed the loan paperwork.

But after a year of school, Lindsey realized that her heart was not in it. She struggled with the course work, but more importantly, her passion for the field had faded. She made the courageous decision to cut her losses and leave the program, but she still owed nearly $40,000 in student loans for a degree she never completed.

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She was overcome with guilt–for giving up on her dreams, for not understanding the financial risks of her decisions, for not studying harder. Lindsey felt deeply ashamed just logging into her bank account and seeing her balance. The only way she felt better was avoiding thinking about money altogether. She avoided looking at credit card statements and her loan balances and she avoided transferring money into her IRA. Even though she soon found a well-paying career she loved, it took until her thirties to get a handle on her finances.

Psychologists have long understood that shame leads to avoidant behavior, especially when it comes to money. A recent study by researchers at the University of Boulder, Harvard Business School, and Columbia Business School found that people with even minor financial difficulties overwhelmingly blame themselves and, attempting to hide their mistakes, don't seek help from others or take necessary actions that are painful in the short term. This financial withdrawal perpetuates a vicious "shame spiral" that leads to even worse decisions.

Sometimes the shame spiral is dramatic, such as preventing someone deeply in debt from seeking bankruptcy protection. Most cases are milder, but they can be deeply pernicious—like not transferring money to an IRA because you have to watch your checking balance drop in real time. Anyone can fall victim to the shame spiral, even those who are fully on track to meet their retirement goals.

Here's the first and most important step to overcoming it: let yourself off the hook.

Forgive yourself for that $6 Frappuccino you had this morning and forgive yourself for not negotiating a pay raise with your boss. Forgive yourself for buying too much house, too much car, or too much school. Forgive yourself for not being further along on your retirement goals. Whatever financial choices you have made that make you cringe, forgive yourself.

Forgive yourself even if you don't think you deserve it. If you have been struggling to save, you are far from alone. In a survey I conducted in the summer of 2021, over 80 percent of adults between age twenty-one and forty-five said they were anxious or very anxious about their financial situation. Over 70 percent said their retirement savings were somewhat behind or far behind where they needed to be. So, yeah, it's not your fault.

Remember that the universe is indifferent to your mistakes. Accept that what is done is done, and that now it's time to move forward.

SELF WORTH ≠ NET WORTH

Helen distinctly remembers when she learned that you're not supposed to talk about money. She was ten years old and living in a suburb about half an hour north of Boston. It was a blisteringly hot July day, and Helen and her friends decided on a whim to set up lemonade stands in their neighborhood, one on each block. That evening they had pizza at Helen's house and compared who made the most money and what they wanted to spend it on.

Then Helen felt a tap on her shoulder. Towering over her was her father, who said solemnly, "Talking about money is impolite, honey."

For years, those words stuck with her. In high school and college, she had no problem discussing politics, religion, sex, mental health challenges, and relationship struggles with her friends, but money was verboten.

When she graduated and got her first job, Helen was emotionally grounded and ready for adult life—except for the money part. Every time she had to think about her salary, rent, making a budget, or retirement, she heard her father's words echo in her mind like the voice of God: *talking about money is impolite*. Instead of asking for help with basic things like taxes or setting up a 401(k), she avoided these conversations entirely until she finally hired a financial planner in her late twenties.

Helen isn't alone. Surveys from market research firms show that over a third of couples don't know how much money the other makes. A Wells Fargo survey found that 44 percent of Americans see personal finance as the most challenging topic to discuss, more so than death, politics, and religion.

Even in Sweden, where people talk about sex like they talk about the weather, discussing money is taboo because of the deep-rooted Nordic tradition of *Jantelagen*, or the idea that you should never act better or higher status than someone else.

The amount of money you have saved is just a number—an important number, certainly—but it does not define you as a person.

Our insecurities with discussing money often boil down to a toxic relationship with our own identity. As Caitlin Zaloom, an anthropologist at New York University, theorizes, there is an unfortunate tendency to believe that "your value as a human being is somehow made material in your pay and in your accounts." By discussing how much money you have in the bank, people are "exposing how they're valued by their employer and how their contribution is valued even more broadly, by the community."

This dynamic has long benefited corporations, who for years forbade their employees from discussing salaries. After all, if you knew the guy across the hall doing the exact job makes twice as much as you, you'd be more likely to ask for a raise.

In 2022, Hannah Williams quit her full-time job as a data analyst to grow her TikTok channel, Salary Transparent. The premise is simple: she roams the streets of major cities asking random people the impolite question "How much money do you make?"

The channel swiftly went viral, racking up millions of views and subscribers over the next year. The videos, which show nurses and engineers and teachers and scientists and architects and government workers telling the world how much they earn, have struck a nerve and empowered young people with the information and resources they need to ask for a fair salary. But on a deeper level, her work is forcing them to overcome their queasiness with money. "So many of us equate our salaries and pay with our worth. We need to disconnect from that notion. It's literally just a number," Hannah explained.

You should take the same exact approach to your savings. The amount of money you have saved is just a number—an important number, certainly—but it does not define you as a person. Your financial net worth is calculated by subtracting your liabilities from your assets. Notice how there is no consideration for how kind you are, how generous you are, or how loyal you are. There's no multiplier for being a brilliant cook or a loving partner.

Don't ever let a number in a spreadsheet add or subtract from your self-worth. You've got plenty of time to get on track. Accept that it will take time to get comfortable around your finances, and that you'll never be perfect. (I worked in asset management for nearly thirty years, and I still avoid opening my bank statement out of habit!)

In my conversations with countless young people, those most on track for retirement are consistently the ones who are most comfortable talking about their finances. Some of them were taught to have a healthy relationship with money, but most were not.

You can teach yourself to become a financial whiz by understanding your triggers and developing strategies to counteract them. The key is not to see certain tendencies as "good" or "bad"; they are simply brushstrokes of your personality.

But first: let's all take one more deep breath and say out loud: **I forgive myself!**

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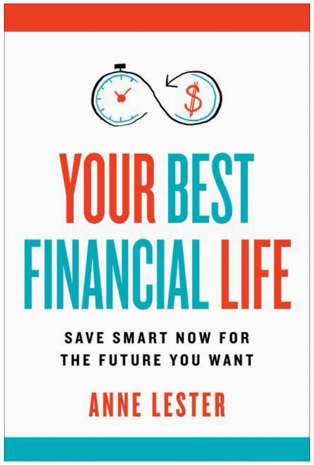

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Anne Lester is a media commentator and speaker who's on a mission to help Americans of all walks of life to achieve a safe and secure retirement. Hailed as a "pioneer and innovator" by the esteemed financial services company Morningstar, Anne has worked on all aspects of retirement for the past thirty years. Most recently, she spent fifteen years as head of retirement solutions for JPMorgan Asset Management, where she traveled the country and spoke to tens of thousands of investors. She is a regular contributor on an array of retirement issues for CNBC, Bloomberg TV, the Wall Street Journal, the New York Times, and countless industry publications.

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