Psychological aspects of money attitudes

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Abstract – In this article the theoretical analysis of the psychological characteristics of money attitudes is represented. The study of psychological aspects of attitude to money is necessary, as it will allow analyze and forecast macroeconomic phenomena more effectively and will provide deeper understanding reasons of different humans individual economic behavior as well as psychological effects staying in a specific economic area. According to of Golubeva`s A. research, there`s a difference in certain psychological features of peoples with different income level The development of psychology empirically has shown that the "man-finance" system is extremely synergetic. Thus, an interesting topic for future research is to explore what`s primary - is this personality determines a particular financial behavior, financial situation, or maybe there are some personality traits which are somehow modified and determine by the money attitudes.

Key words – money, attitude, financial behavior, money disorders.

I. Introduction

The psychology of money is not really explored area yet, but it is extremely relevant as well as socio-economic phenomena become more plastic, unstable, which certainly serves stress factor. Therefore, the study of psychological aspects of attitude to money is necessary, as it will allow analyze and forecast macroeconomic phenomena more effectively and will provide deeper understanding reasons of different humans individual economic behavior as well as psychological effects staying in a specific economic area.

Talking about the psychological aspects of money, it must be said that the socio-cultural approach considers them as: equivalent image of the things or services to which they are being spent; as a tool to achieve the goal; [1] as a means of achieving security, freedom, obtaining and keeping power or love (Kybyzova LY). [2]

II. Psychological specificity of attitudes to money

The attitudes toward money reflects the phenomena that arise on the human interaction with financial space. Attitudes includes an affective, cognitive and behavioral components. The study of Golubeva A. analyzes each of these components of the respondents with different income.

Interestingly, that in the cognitive plane people with income below average, money are not only perceived as a means of life and well-being, but they are also identified with a freedom, what`s less typical for people with higher incomes. In the affective sphere, the emotions manifested most clearly in the less-money situation model. It refers both to people with low and high-income. It`s specific, that in a lot-of-money model situations, the respondents with high income feel much more guilt than peoples, who have less income. Concerning economic behavior, the wealthy people manage their capital optimally and are able to make profitable investments, while poor people tend to build ambitious plans for future earnings but spend more than they can afford. At the same time, people with average incomes, tend to spend all earned money for stable life, but does not allow at least minimal financial growth. [3]

Psychometric Money Attitude Scale, developed by K. Yamauchi D. Templer (and popularized later by Ad. Furnhams researches) has opened new features in studying semantic characteristics of money attitudes. It highlighted the factors that determine the monetary guidelines and behavior, this are: gender, social environment, economic status, personal characteristics and others. For example, men tend to overcharge the value of money, and were found more competent at their disposal, able to take risks with a view to profit. Women, in turn, feel more frustration at the lack of money and more jealous of those who are not. In addition, women and young people tend to spend relatively more money as self- therapeutic factor. [4]

Psychologists also see in money an powerful cultural symbol that contains many contradictory and irrational collective perceptions, beliefs and attitudes. [5]

Western studies have shown how much there are myths on financial issues in a certain individual conscience. These irrational beliefs are formed in childhood and determine economic behavior through the emotions (Maggie Baker).

Margarita Tartakovsky, in her article “7 Mistaken Beliefs About Money” made a review of the current literature of the finance psychology and describes some misconceptions. For example, people tend to mix up net worth of things surround them, with self-worth. There`s also wrong people`s belief that someone is bound to take care about them, which leads to disorganization of their outlay. Also, people always want to have more money than they actually are able to make - this is the main cause of debts. The "pursuit of fashion" is another problematic point - people buy things which can`t afford.

Another problems which deform economic behavior is blind faith in the competence of financial advisors who rarely resorted to individual analysis of the client`s life situation and do not include influence of subjective psychological factors of money behavior. The financial culture of the Ukrainian society is extremely low, so the myth that efficiently money managing is just elementary, is very common for us. However, in practice, only certain ones analyzes or compares their costs with their income. [6]

When we talk about insurance, deposit savings or profitable investment, Ukrainian typically react with skepticism or even fear. Even if someone deliberately tries to improve their economic state, the behavior anyhow will leads by the imprints, even when it`s unrational. [7]

We see that complicated relationship with money are very common fact. Studies show that money is the first reason for divorce in the early years of marriage and a common area of conflict for couples. Also, 3 out of 4 Americans identified money as the no. 1 source of stress in their lives. [8]

Obviously, people unconsciously seek to avoid frustration. Thus, within the gestalt therapeutic method originated thesis that most common protection mechanisms of a certain person, working in any other system of attitudes, equally triggered in relation to money. In particular, these are:

• merger (can be marked by using phrases such as "our money", "we earn," "we lack");

• retroflection (person didn`t endeavor to obtain the necessary income, not asking for money for the work);

• proflection (person hands out money and makes services that she would like to receive);

• deflection (escape from contact with money, people live as if they didn`t exist, are often dependent on others, even if it means minimal life level).

The contact cycle between people can also be applied when we consider exposure to the money. Such kind of analysis can show the way how to manage capital more consciously. There are three stages of the cycle:

1. prekontakt stage (it is important to analyze the emergence of money, their sources; strive to own money);

2. stage of contact (important to manage money according to the needs, enjoy the benefits obtained for them the prospect of saving accumulation);

3. postkontakt stage (important to learn the right way to "release" the money, not to spare them, and track the pleasure derived from the acquisition of important things or services; look for a new focus on earnings). [9]

III. Money disorders

However, experience shows that only certain ones resorts to such reflective analysis of their economic state, and therefore falls into self-destructive and self-limiting financial behavior that in common psychological science is classified like disorders.

There are three categories of money disorders:

1. Money Avoidance Disorders (also includes Underspending and Excessive Risk Aversion):

• financial denial: (person avoid to confront with the financial reality);

• financial rejection (any monetary income causes an acute feelings of guilt, what`s especially true for people with low self-esteem).

2. Money-Worshipping Disorders (also includes Pathological Gambling, Workaholism, and Overspending):

• hoarding (storage or capital gives a feeling of safety, security and ease anxiety);

• compulsive buying (purchases ritual provides a excretion of dopamine in the brain and, consequently, a temporary escape from worry and anxiety).

3. Relational Money Disorders (also includes Financial Dependence and Financial Incest):

• financial infidelity (concealment or misrepresentation concerning money deals);

• financial enabling (when people tend to give away money, even sacrificing their own financial well-being for others).

However, the foundation of the financial health isn`t that difficult, first step is a recognition of false financial guidelines, and their replacement with more productive once. Thus, working on the effective financial behavior will provide not only financial, but also emotional well-being. [8]

Conclusion

In conclusion it would be good to mention Simmel`s philosophical view on the phenomenon of money. He believed that money dehumanizes the person, negate its individuality. [1] However, the development of psychology empirically prove the falsity of this assertion because the "man-finance" system is extremely synergetic, where certain elements are closely interconnected and determine the characteristic qualities of each other.

Thus, an interesting topic for future research is to explore what`s primary - is this personality determines a particular financial behavior, financial situation, or maybe there are some personality traits which are somehow modified and determine by the money attitudes.

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