

FOMO drives personal debt

The fear of missing out on experiences--fuelled by social media--may be pushing people deeper into debt



Source: Shutterstock

Experience Matters

Social media may be driving a rise in personal debt, as consumers take on loans to avoid missing out on experiences.

Although it is commonly believed that households are more likely to take out a loan for durable material purchases like a new kitchen or car, researchers from the University of Southern California and Dartmouth College suggest people are more likely to borrow money to pay for short-lived planned experiences.

The fear of missing out on experiences is a growing issue in our society

Planned experiences, such as a holiday or wedding, are subject to a certain time pressure. These experiences are often scheduled to take place on a specific date or in a window of time; as a

consequence, they can't be easily rescheduled or postponed. If people don't purchase the experience now, they might forgo the opportunity to experience it at all. For example, you can't postpone a planned ski trip with a group of friends: if you can't join, your friends will go skiing without you.

These stressful reactions are largely triggered by social media. Users of social media platforms, such as Facebook and Instagram, are continuously aware of all the events they are missing out on. This fear of missing out could intensify the need to request a personal loan in order to pay for, and be part of, a planned experience, possibly increasing one's debts as a result.

Stay Focused

Does this mean you should deny yourself certain experiences and not spend money on them? Not at all. After all, experiences increase our happiness even more than material purchases do. However, to be able to pay for all experiences it would be best to adapt your savings and take into account the planned activities. Research suggests that when you have a clear goal in mind, you will save more provided you also focus on your personal reasons for having that experience. In addition, reminders seem to be of great help too. Especially when the reminder is linked to a specific purchase, people save more. So if you want to save for that next ski trip or any other planned activity, keep thinking about the reasons why you don't want to miss out on that activity and create reminders to save, whether that's a repeated message on your phone or a note taped to your kitchen cupboard.