

How the lockdown can help you develop better financial habits

From waking up at the same time each morning to predictable discretionary spending, our days are littered with routines, which have all been disrupted by the lockdown measures. But one upside of staying at home is that most of us are spending less. We take a look at how you can make these healthier financial habits stick



There is a rhythm that underpins most aspects of money management. Many of us rely on regular weekly or monthly incomes and usually, bills and fixed payments go out around the same time too.

But the lockdown measures around the world mean many of these rhythms have been knocked out of sync. While initially probably quite disorientating, not all change is bad. It can also be liberating. Disrupted routines can highlight undesirable spending habits that can be managed.

Time to form new habits?

Richard Chataway in his book [The Behaviour Business](#), explains that habits are incredibly 'important as they form a large part of our system 1, or automatic, behaviour', as they allow us to

run, to a certain degree, on autopilot, without the need for time-consuming willpower.

But this prolonged period of self-isolation, means we have stopped many of the regular activities we normally do each day. Discretionary spending is a good example.

More cash in your pocket

Unsurprisingly, spending patterns have changed dramatically in the past month.

The [Netherlands](#) has seen a significant drop in debit card spending falling 24% year-on-year. The likes of cinemas, restaurants and sporting venues are experiencing the largest fall too. In [China](#), unsurprisingly, spending has reduced across 15 categories including travel, hairdressing and clothing and accessories. In [Australia](#), discretionary spending was 26% below normal levels last week.

And while we may be spending more on things like home entertainment and medical supplies, for many, these changes have left us all with a little bit more disposable income than normal. With what's left in our bank accounts, we are now experiencing a real-life demonstration of just how savings small amounts regularly adds up. And it doesn't necessarily need to revert once the epidemic is over.

Holding onto good habits

Isolation measures haven't been around long enough to turn spending changes into habits. But there is no single measure of how long a habit takes to stick.

One [study](#) found habits can take anywhere between 18 and 254 days to form. The timing will differ depending on the person, the behaviour and the context in which it is carried out, which is why it's worth thinking now about which spending changes you want to stick once this is over.

Habit formation requires three elements: a cue, a routine and a reward.

It may be useful to take a moment to consider how disrupted spending habits might be saving you money. If this is something you want to continue long-term, behavioural economics has some tips for helping habits stick

For example, walking to the train station might have previously been a cue for routinely popping into the café for your morning coffee. Your reward being both the caffeine fix and chatting with the barista. Without this cue, however, you are no longer prompted to routinely pay £3 for a flat white. If like me, you still need morning caffeine, you might have already started repeating new behaviours. Saturday morning now might involve bulk ordering ground coffee beans to use in your own percolator.

Similarly, travel expenses might have been replaced by using a bike to avoid enclosed spaces. The sandwich you used to buy at lunchtime on the high street might have been replaced by cooking a dinner with enough so that leftovers are available for lunch. In turn, this may affect spending at

the supermarket.

Whatever activity is relevant to you, it may be useful to take a moment to consider how disrupted spending habits might now be saving you money. If this is something you want to continue long-term, behavioural economics has some tips for helping habits stick:

[How are habits formed: Modelling habit formation in the real world](#)

1 Make it easy

Design your environment to make your new habit easy. For example, if you have started calculating outgoings and want to keep doing so, make it easy by downloading an app which will automatically record your spending, use cash so you can see how much is leaving your wallet and how much is left each day, or keep a small pen and paper in your bag so you can jot spending down as you go. All of this will make it easy. You could go one step further and make not doing it hard, for example by only bringing cash to the supermarket.

2 Follow your own rules

Create rules that you can follow to support your new habit. For example, if your day-to-day spending on coffee has reduced and you want to keep it this way, don't walk past the coffee shop, buy coffee with cash, or set a simple daily limit. Each of these are simple rules that are easy to follow when you might be tempted.

3 Make savings obvious

Measure the benefits of your new habit. For example, if you are now saving an extra £20 per week due to not spending it on social outings and you want to keep this up, make savings obvious. This might be through physically putting the cash in a jar which you can see fill up or recording it in a money management app which celebrates savings milestones. Setting a clear savings goal will also mean you can see how much closer you are continually getting to reaching it.

4 Make decisions now

Don't wait until things get back to relative normality, support new habits now.

If you are currently shopping once a week and finding this has reduced your spending on groceries, decide to keep doing it now and commit to it. This might require writing shopping lists, so you don't forget things and need to revisit, ask the people you live with to keep you accountable, or stocking up on a few items so you have a backup meal just in case. When you don't shop everyday you can see the total grocery bill in one go and are less likely to be tempted to spend on small things each day. You can also plan ahead and buy in bulk, therefore consuming more economically.

Routines and habits increase mental capacity and performance because they require less cognitive processes - they are automatic. While the benefits of disrupted habits may be enough of a stimulus to keep them going after we all go back to our normal routines, a helping hand never goes amiss.

These unprecedented circumstances, where routines have broken down, may unexpectedly offer us suitable conditions to develop newer, healthier financial habits.

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