<p></p> <p>For those of you who have read this blog for a while, the title of this post may surprise you.</p> <p>I AM a big advocate of personal responsibility. Nobody wins in the "blame game." Your neighbor always loses when he claims to be the victim every time something doesn't work out the way he planned. This is especially true in the realm of personal finance.</p> <p>My financial planning firm's slogan is, "Get Control Over Your Money Before it Takes Control Of Your Life." In Get What You Want I argued that your results are directly driven by your actions (not somebody else). In Be-Have vs. Behave we dug to the root cause of all your successes and failures. What matters most is who you are being when you taking those actions which are dictating the results you are getting.</p> <p>Nobody else is to blame for any of your problems just as nobody else should get credit for any of your successes. How could a professional who preaches these ideas then say, "It's Not Your Fault?"</p> <p>Before you start thinking I've fallen off the proverbial turnip truck, accuse me of losing my mind - or having gone completely soft on my principles - allow me this week's missive to explain myself. The reward for your patience will be to learn a new way to get more out of life every day AND build wealth and a more secure future for your family.</p> <h3>LINEAR THINKING</h3> <p>Most people (especially economists and financial advisors) are linear thinkers. Our view of the world is pretty simple, to the point of being formulaic. You plug in a few important variables and out pops a logical result. There is too much raw data to make sense of it all, so we simplify that data, eliminate the "noise" and get to those few critical variables that matter.</p> <p>This is how we're all hard-wired. Humans seek patterns, throw out useless data and base decisions on a few key points.</p> <p>As an example, when you're driving a car, you don't really have to worry about which windows are up or down or what color the paint is or even if the car is clean or dirty. It won't affect your ability to get to your destination. You only need to know that the gas pedal makes the car go faster, the brake slows it down and the steering wheel changes your direction.</p> <h3>IS THAT RATIONAL?</h3> <p>We all simplify our world through assumptions - it is a basic human coping mechanism. In the world of personal finance and economics, a major assumption is that humans are rational creatures always pursuing the greatest personal gain. This is what I call the "Rational Thought Hypothesis." It proves to be a rather poor assumption - the equivalent of believing that a red car always goes faster than a white car regardless of what is under the hood.</p> <p>Human beings are not rational creatures, especially when it comes to money. We may be armed with the most powerful cognitive brain of any creature crawling the face of this planet, but all that logical brainpower gets tossed out the window when it comes to financial decisions.</p> <p>Think about it for a minute. Why do people enjoy their retail therapy addictions so much? Why did your neighbor buy that hot looking sports car to drive to and from work? Answer - because spending money feels good. For your neighbor, the thrill of driving that racy car validates having spent the money on it! Why is there a tinge of admiration when you see your neighbor driving that car? The same reason - and it has nothing to do with logic or rational thinking.</p> <h3>STARTING

TO GET IT</h3> <p>In the past 10 years, studies in Behavioral Finance (a pioneering blend of psychology and personal economics) have generated reams of clinical proof of what we should have known all along ...</p> <p>Especially when it comes to money, human beings are NOT rational.</p> <p>First of all, every person defines "personal gain" in a different way. For some it is money in the bank. For others it is toys in the driveway. Still others seek better relationships or more powerful experiences (thrill rides). Most of these value judgments are based on emotional triggers, not rational ones.</p> <p>The premise of the "Rational Market Hypothesis" is simply not rational.</p> <h3>THE MARKETERS WIN</h3> <p>One group of people have understood and exploited this fundamental aspect of human psychology for decades - the marketers: product salespeople and politicians. Practically since the beginning of time, marketers and advertisers have known that they can influence your spending choices simply by appealing to one emotion or another.</p> <p>Sometimes their efforts are straightforward - the car ad that emphasizes how much fun the car is to drive is pretty direct. Other times, their methods are more subtle.� Robert Cialdini's Influence, the Art of Persuasion has loads of great examples.</p> <h3>A NEW LANDSCAPE</h3> <p>Once we wipe away the "Always Rational" assumption, your personal-finance decision-making-process takes on a totally different look. Until you accept the reality that you make every financial decision in your life based on emotional factors rather than rational thinking, you are going to be at the whim of every marketing scheme, sales pitch and influential manipulation out there.</p> <p>But nobody is out there helping you see or understand that truth.</p> <p>When was the last time a teacher, advisor, coach, politician or any other person of power and influence told you that you are prone to making emotional decisions, not logical ones? For many people, this article may be the first time they see this idea in print.</p> <h3>WHY IT'S NOT YOUR FAULT</h3> <p>The framework through which most people view most of their financial choices is built on a lie - a faulty assumption that permeates everything you were taught as you were growing up. From an early age, you have been taught that you always can, should and will make rational choices.</p> <p>Parents reward "good behavior" (Behave vs. Be-Have). Our education system force feeds "facts" (which are often not facts at all, but emotional interpretations of data and events that are presented as facts by teachers) and rewards memorization - a purely cognitive skill. The process of thinking through and solving a problem takes a back seat to having "the right" answer. This system has little time for emotions and teaches us to stuff those emotions and behave like our schoolmates.</p> <p>If you graduate from school with decent grades, you are told to think of yourself as "smart." You have been trained to believe that you will therefore ALWAYS make "smart" choices. Because logic beat out emotions throughout your schooling experience, you believe that it will continue to work that way the rest of your life.</p> <h3>EMOTIONS DRIVE YOUR CAR</h3> <p>What I am suggesting (and this is supported by those studies in behavioral finance and emotional intelligence) is that a vast majority of your choices in life are actually driven by your emotional circuits - not your cognitive brain. But since the power of your emotions has been downplayed, squelched or put aside throughout your formative years, you have almost no clue how to understand or manage those emotional impulses.</p> <p>So it's not your fault.</p> <p>You didn't stand a chance. You're driving a car the way you were taught - by using the gas pedal, brakes and steering wheel ... but that car is actually locked onto an emotional roller coaster track. What you do with the controls has very little real effect on where your car ends up. Your emotions are always there and they are constantly being manipulated by everyone else around you.</p> <p>Once you accept this reality and work with it - you will get control over your money before it takes control of your life.</p> <p><a href="http://www.facebook.com/share.php?u=<url>" target="_blank" onclick="return fbs_click()">Share This Article on Facebook </p> <div id="_mcePaste" style="overflow: hidden; position: absolute; left: -10000px; top: 1399px; width: 1px; height: 1px;"> <p style="margin-bottom: 0in;">sabotaging</p> </div>