

Habits

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I have been thinking about habits and routines for a while, its impact on our lives and potential progress as individuals mature. From childhood we are exposed to habits that ultimately shape our routines e.g. brushing our teeth, a breakfast routine and sleep time.

Scientists claim that our brains constantly look for ways to save effort and find a routine. It is no surprise then that research has shown that approximately 45% of our day is habitual – performing tasks automatically without much thought! Unfortunately, our brain cannot easily distinguish between a good or bad habit. Apparently, habits do not disappear, but they can be replaced with others.

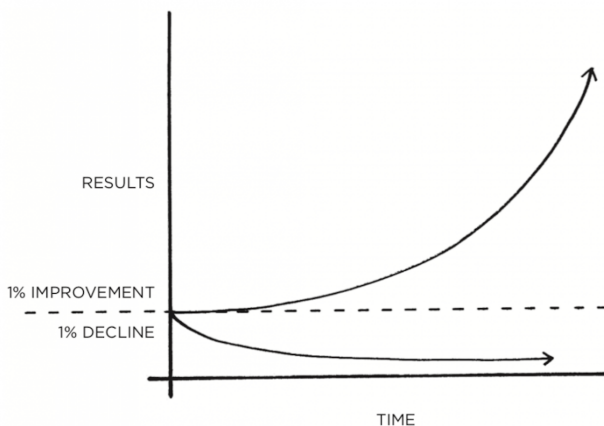
Aristotle famously said: “*We are what we repeatedly do.*” Our habits do seem to define us. Habits propel us, or hold us back. With some introspection we may all identify our habits, good or bad. Or rather habits that we could be proud of, or not. How difficult is it to change a habit? It might be of the hardest things for us to do. Just ask a professional golfer to change his swing! There are all sorts of habits that may impact our well-being – including financial habits. What are some of those financial habits?

Below is an image from a book by James Clear [Atomic Habits](#) that illustrates the power of tiny gains. The effects of small habits, similar to investments, compound over time. As such, if you can improve 1% each day you could end up 37 times better after 1 year.

1% BETTER EVERY DAY

1% worse every day for one year. $0.99^{365} = 00.03$

1% better every day for one year. $1.01^{365} = 37.78$



How to win financially

What does success mean to you? How much is enough? Our personal finance journey is indeed personal and intrinsically linked to our behaviour and habits. Anticipating our behaviour is an important part of what makes us successful savers and investors. As such, I thought to ask [ChatGPT](#) to help me identify those important financial habits. I adapted the response where I felt it could be more concise and bolded text for emphasis. The order below was an interesting result. Further, none on the list appeared complicated!

START: I am writing to share some valuable insights on **habits that could lead to financial independence and attaining a state of having enough.** Achieving financial stability and security is a goal that many strive for, and by adopting certain habits, you can pave the way towards realising this objective.

1. **Budgeting and Wise Spending:** Creating a budget is the foundation of financial independence. Track

your income and expenses meticulously.

Differentiate between what you need and want, and allocate your resources accordingly. Prioritise saving and investments over unnecessary expenditures. Review regularly and adjust your budget to make sure you are on the right track;

2. **Living Below Your Means:** Avoid falling into the trap of lifestyle inflation. Instead of upgrading your lifestyle with every increase in income, maintain a modest lifestyle that aligns with your financial goals.

Live below your means by embracing frugality and making conscious choices about expenses.

By doing so, you can allocate more resources towards savings and investments, accelerating your journey towards financial independence;

3. **Eliminating Debt:** Prioritise paying off high-interest debts, such as credit cards or personal loans.

Develop a debt repayment strategy and stick to it. Clearing your debts allows you to free up resources that can be redirected towards savings;

4. **Continuous Saving and Investing:** Cultivate the habit of saving a portion of your income on a regular basis.

Set aside a percentage or fixed amount each month and transfer it to a separate savings account or investment portfolio. Compound returns does its job over long periods. Diversify your investments wisely to mitigate risks. Keep in mind, **patience and long-term planning are essential for successful investing;**

5. **Continuous Learning and Skill Development:** Invest in yourself by acquiring new knowledge and skills.

Embrace a growth mindset and seek opportunities for personal and professional development. By enhancing your expertise and staying up to date with industry trends, you increase your chances of career advancement and income growth;

6. **Multiple Streams of Income:** Diversify your sources of income to safeguard against financial uncertainties.

Explore opportunities to generate additional revenue streams, such as starting a side business, freelancing, or investing in passive income avenues. By diversifying your income, you can create a more robust financial foundation;

7. **Long-Term Financial Planning:** Develop a comprehensive **financial plan that aligns with your personal life goals.** Consider factors such as retirement planning, education funds for children, and emergency savings.

Consult with a financial advisor or coach who can provide guidance tailored to your specific circumstances;

8. **Regular Review and Course Correction:** Periodically assess your financial progress and make necessary adjustments.

Monitor your investments, track your expenses, and re-evaluate your goals. Life circumstances change, and it is essential to adapt your financial strategies accordingly.

Nurturing good habits is not easy and takes time. Research showed that we should focus on one habit at a time and gradually incorporate others. Financial independence is a journey that requires discipline, patience, and consistent effort.

By adopting some of the abovementioned habits, you could be on your way to build a sound financial foundation. **END**

Notably, ChatGPT is valuable to access information but it won't change our habits and the way we think!