



**MOUNTAIN AMERICA**  
CREDIT UNION

# Brains, Budgets *and* Technology



# From Decision to Management

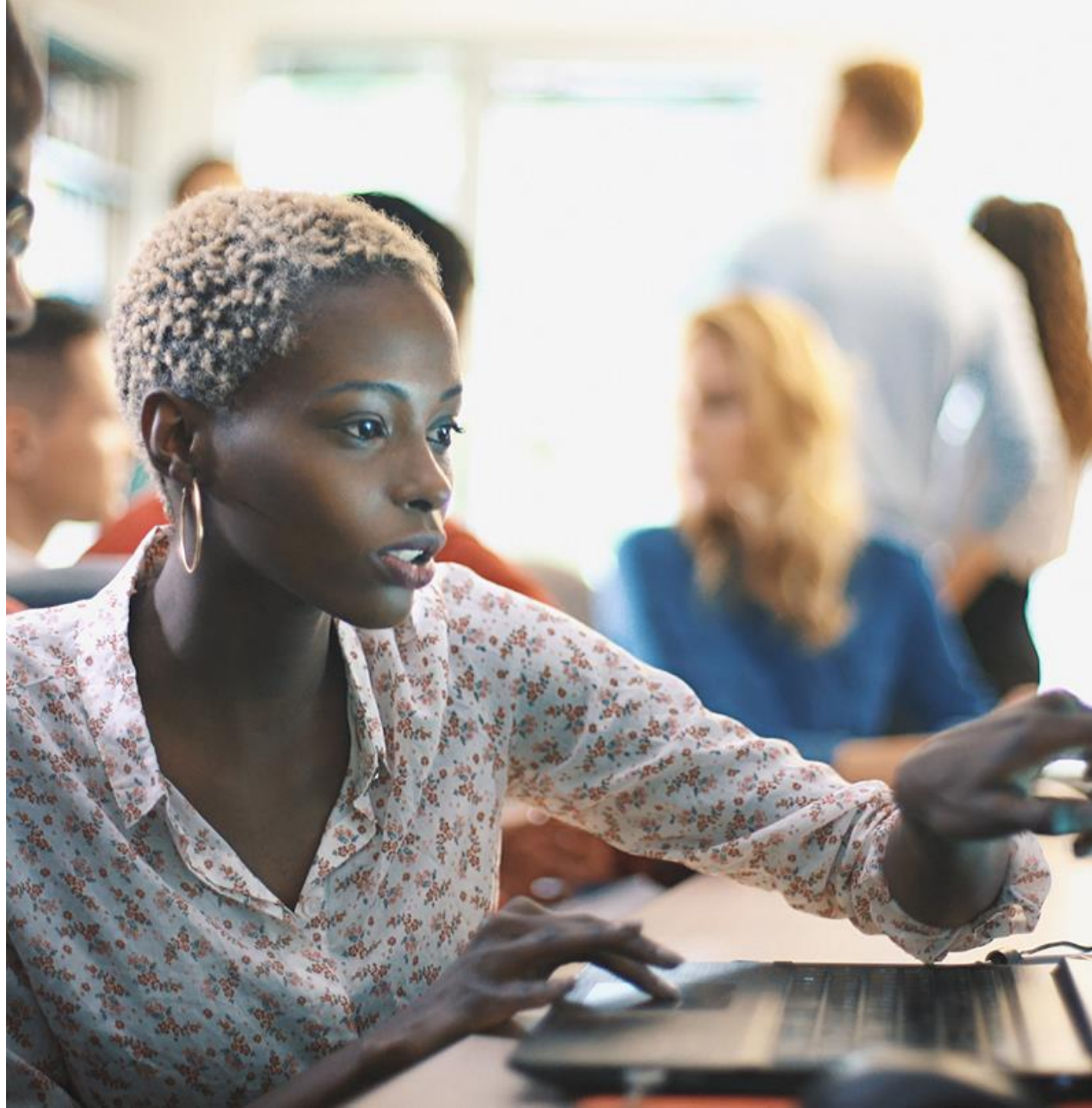
Brains and Decisions

Cognitive Biases

Rethinking ROI

Bring in the Money

➤ Manage with Tech





# Brains and Decision Making

# Addressing Dissonance

## *Threat*

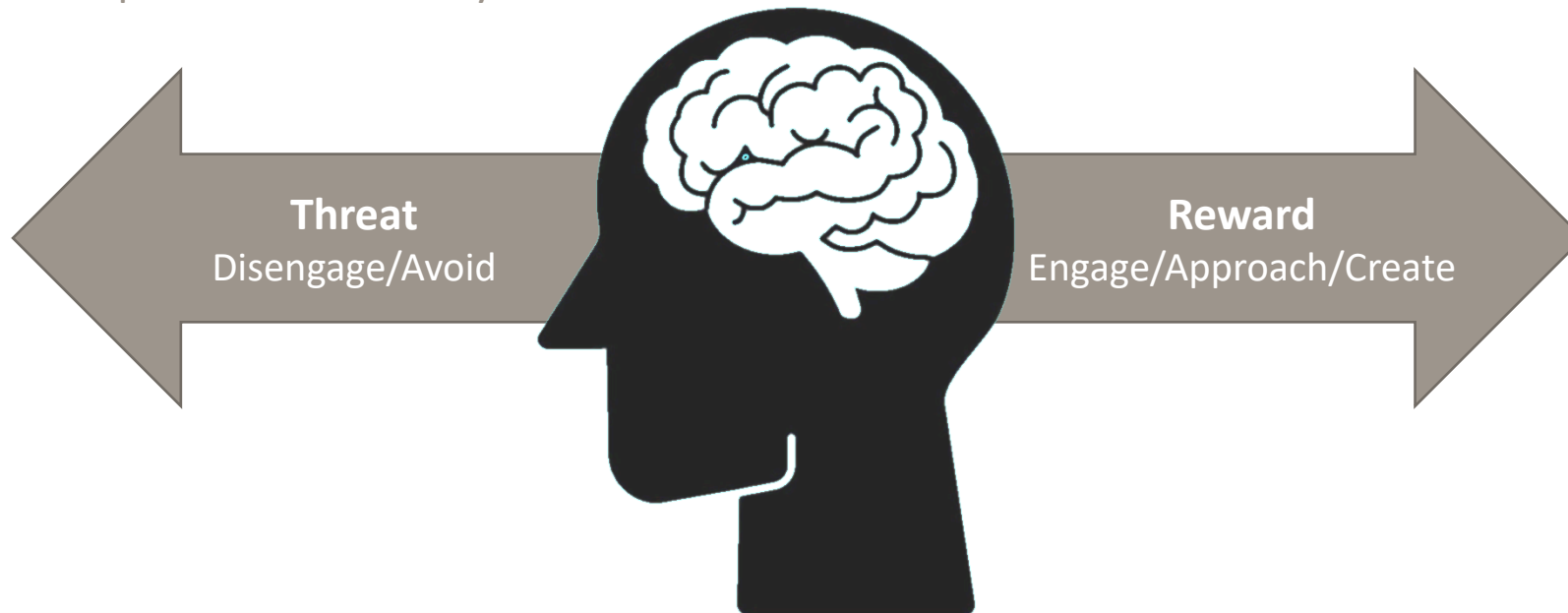
Externally dictated and upheld experiences

- ▷ i.e. adhering to an authority's opinion simply because of the perceived authority

## *Reward*

Internally dictated and upheld experiences

- ▷ i.e. understanding internal motivation and measure of success and building toward that





# Emotional Decision Making



## “Caveman Brain”

### Unconscious Emotion

- Very Fast
- Involuntary
- Associative

# Emotional Decision Making



## “Rational Brain”

### Conscious Thinking

- Slow
- Controlled
- Rule Following



# Cognitive Biases

# Cognitive Tools

Construction and Demolition

## *Heuristics*

### ▶ Mental shortcuts

- ▷ Rules of thumb
- ▷ Educated guesses
- ▷ Intuition/Trust your gut
- ▷ Prototypes

▶ Not rational due to need/desire for quick decision making

## *Biases*

### ▶ Result from an overdependence on Heuristic techniques

- ▷ Established from the belief that because something worked before, it will work again
- ▷ Continued application of preferred ways of thinking

▶ Major problem when you forget you have one...



# Availability Bias

Weight placed on information readily available or easy to understand

- The number of examples that easily come to mind
- Over-dependence on recalled information
- Proximity of information overpowered by quantity



# Confirmation Bias

- ▶ Tendency to look for or interpret information in a way that confirms what we already think.
- ▶ Information supporting one's desires/beliefs is accepted while contradictory information is ignored or discounted.



# Familiarity Bias

Tendency to give excessive authority and weight to that with which prior personal experience or contact exists

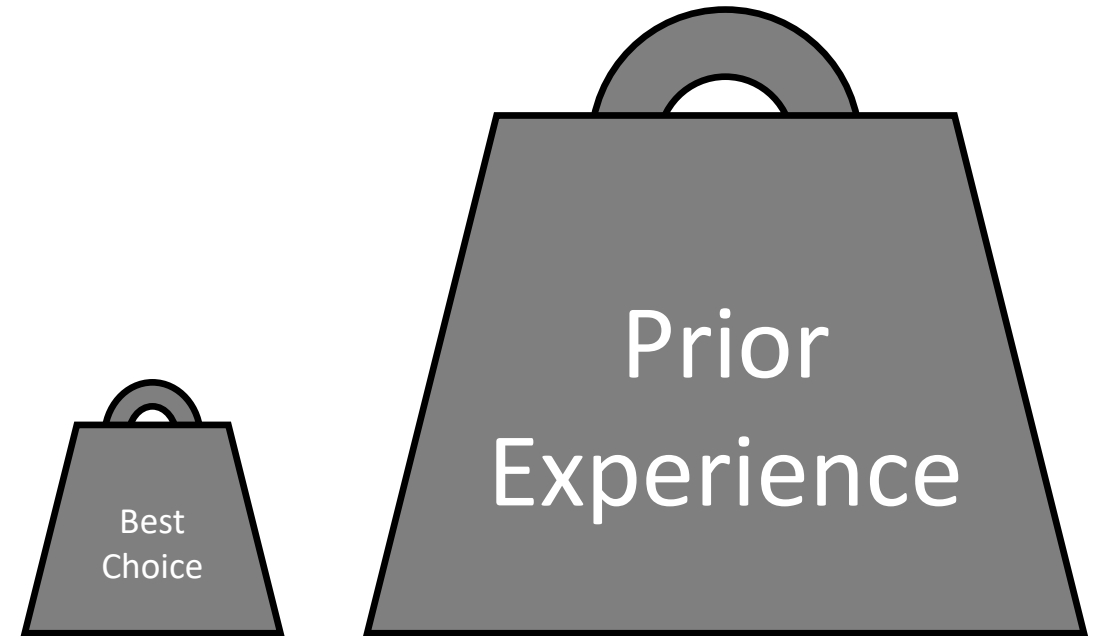
“We’ve always done it this way...”

▶ 1993—Herman Miller Aeron Chair



# Familiarity Bias

- ▶ I drive by that bank every day. It seems like the best choice...
- ▶ I've always invested in...
- ▶ I don't think it's worth shopping around for insurance. I'm sure the company I've been with forever is the best...
- ▶ I know my neighbor is a financial planner/real estate agent, I'll just go with her...
- ▶ I remember a couple Dave Ramsey books in my parents house...
- ▶ My dad was an accountant, he's got the best answers...

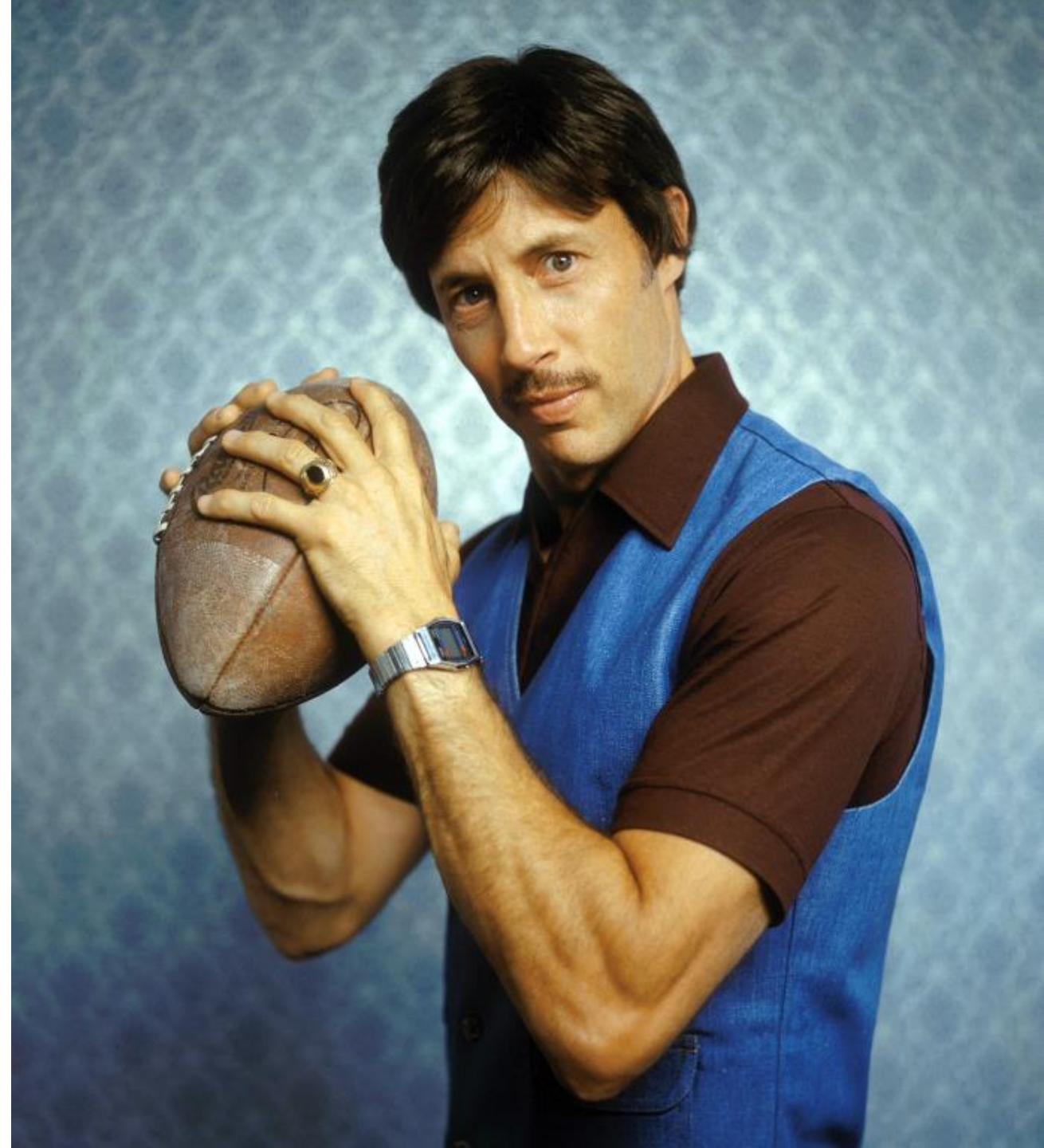




# Overconfidence and Excessive Optimism

Tendency to overestimate frequency of favorable outcomes. Characterized by:

- “Better-than-average” Effect—overestimated ability
- Miscalibration—overestimated knowledge precision
- Illusion of Control—belief of control, prediction, or influence over random events
- Tendency to blame negative outcomes on uncontrollable circumstances and take credit for positive outcomes
- Fading Affect Bias—emotional response prompted by positive memories tends to be stronger than emotional response prompted by negative memories

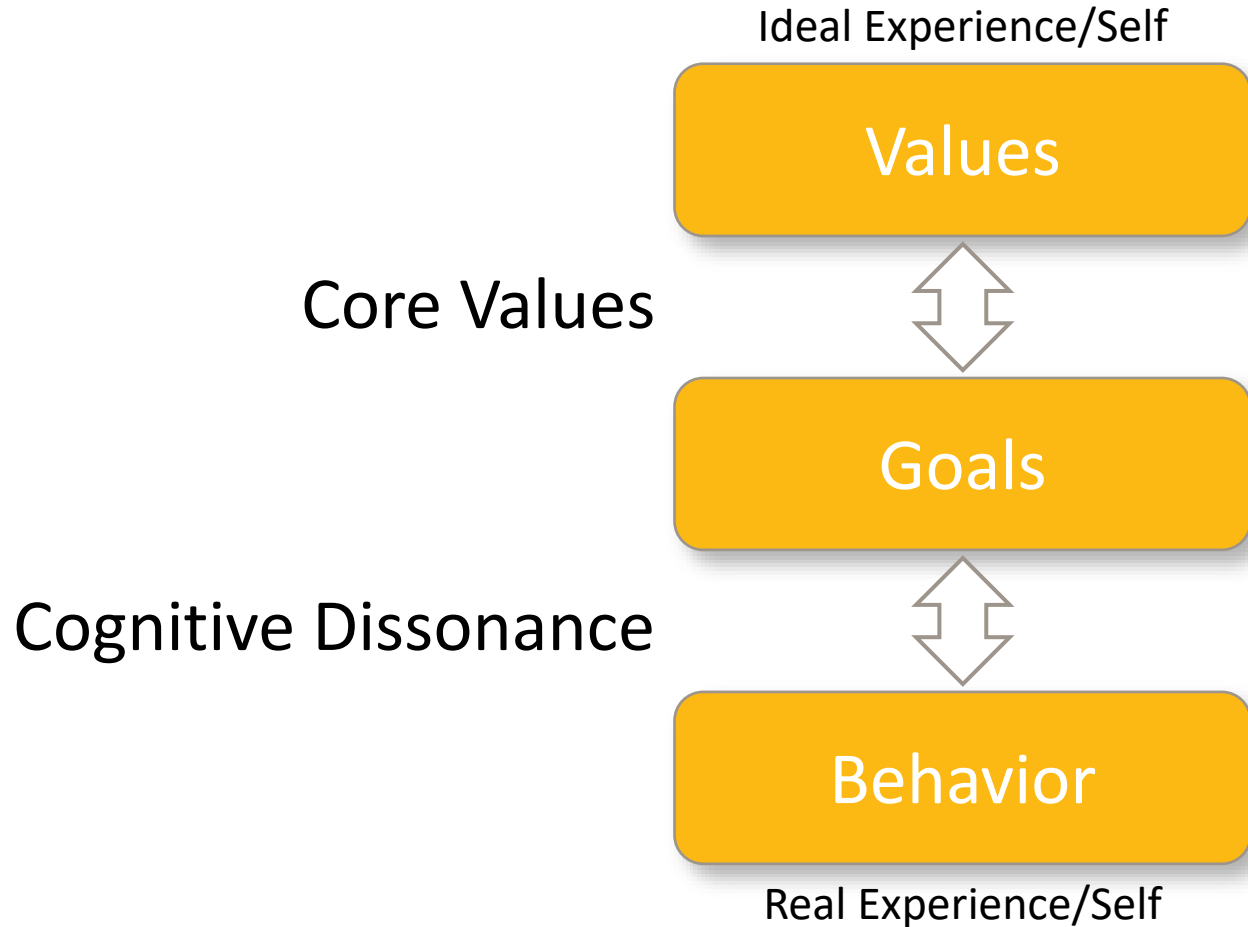






# Rethinking ROI

# Overcoming Emotional Impulse



Ensure your money is  
always going toward  
what's most valuable





# Money Management with Technology

# The Key to Successful Budgeting

Accountability





# Personal Account Management

## Certainty of Uncertainty

- ▶ Emergency fund
  - ▷ Usually altered income
- ▶ Car maintenance
- ▶ Home maintenance
- ▶ Yearly costs you forget about
  - ▷ Vehicle registration; rec center passes; insurance

## Financial Success

- ▶ Vacations
- ▶ Projects
- ▶ Toys
- ▶ Clothes
- ▶ New car
- ▶ Braces

# For Business

## Account Management

- ▶ Use the same methodology as personal management
  - ▶ Label the money, pull when you need it → Transactional recording
- ▶ Creates informational clarity and emotional accountability

## Accounting access

- ▶ API connections
  - ▶ Pull transactional data automatically into accounting software or spreadsheet
- ▶ CSV imports
  - ▶ Manual importing of transactional data into accounting software or spreadsheet

# Action Items



- ❑ Reflect on money conversations and your decision-making
- ❑ Identify biases
- ❑ Rethink ROI
  - ▷ Orient to meaning
- ❑ Create accountability
- ❑ Use Technology

