5 Money Saving Hacks Backed by Scientific Research

By Jim Wang

WALLET HACKS

When it comes to saving more money for things like your retirement, a down payment on a house, or just a vacation; the equation is simple. Earn more, spend less, and put the difference away in something that will grow.

In an ideal world, we'd all figure out ways to make more money. As Sally Struthers used to famously ask, "**Do you want to make more money? Sure, we all do.**"

Increasing your income is theoretically limitless and saving money is limited by how much you currently spend.

But saving money is immediate, increasing your income through side gigs or business takes time.

It's also less challenging, as long as you can modify your current spending habits to lower how much you spend.

But seeing how human nature is what it is and willpower can sometimes seem like a distant memory when there's a plate of fresh chocolate chip cookies, we need help.

That's what today's all about – I'll share five money saving habits that I use in my life and are backed by scientific research.

Don’t try them all at once, do one for a week and see how it goes.

But do it now.

Woah Jim, calm down, why right now?

Time for some science! **BJ Fogg** is a professor at Stanford and runs the Persuasive Technology Lab. He focuses on methods for creating habits and automating behavior change.

One of his core concepts is the “motivation wave” and the tl;dr (tl;dr stands for Too Long; Didn’t Read – just means summary for nerdspeak) is that there are points in your day/life where your motivation to do something is very high. Take advantage of that by putting systems in place so it’s easier when you have less motivation.

Need an example? Saving for retirement. When you first start working, your workload will be low, you’ll be fresh on the job without much stress, and you’ll have more time to figuring out your retirement plan, how much you want to contribute, the options, etc. It’s a lot of work.

But this is when you need to take advantage of your motivation to do the research and set up automatic contributions from your paycheck. If you wait to set up your 401(k) for even just a month, you’ll be less likely to do it as other competing priorities take over.

So do one of these money saving hacks today and reap the dividends forever. Forever!

1. Set One Savings Goal, Leave Roadblocks

Set one tangible savings goal, like a vacation or $10,000 down payment for a house, using **SMART principles** (Specific, Measurable, Achievable, Results-focused, Time-bound). $10,000 for a down-payment for a house in 24 months. $2,000 in six months for a vacation in December. $5,000 in 12 months for an emergency fund.

Then, put roadblocks everywhere you would spend money. A roadblock is just a reminder that gets in the way of your spending. Wrap your credit card in a piece of paper with a picture of your goal. It can't sit just there, like a sticky on your monitor, because you will eventually become blind to it. It has to get in the way.

What's the research behind this principle? Social psychologist Roy Baumeister has studied willpower and self-control for years and authored a book called**Willpower, Rediscovering the Greatest Human Strength**. He shared some ideas in an **interview in The Atlantic** about New Year's Resolutions. Many of them will apply to saving money, since that includes habit changing as well.

First, having multiple resolutions makes it less likely you'll keep any of them, since each one saps at your willpower. That's why you should set one savings goal. You only have so much willpower, spreading it across several savings goals makes it harder to keep fighting for the one.

Saving money is often about willpower and by setting a roadblock you can give your willpower a boost. The roadblock short circuits those automatic impulse buys by forcing you do a little bit more than swipe the card. Putting the goal down on paper takes it out of your head so you aren't saddled with trying to remember it (and forgetting most of the time).

2. Carry Only Cash

Try something new this week, leave your credit cards at home.

Research has shown that when you use only credit cards, you tend to spend more. Performed by Dilip Soman, the study was titled "**Effects of Payment Mechanism on Spending Behavior: The Role of Rehearsal and Immediacy of Payments**."

The tl;dr is that past expenses influence future spending behavior but the payment mechanism (credit, debit, cash, etc.) impacts our ability to remember and experience the "aversive impact" of those purchases. Since credit cards don't feel like money and the payment isn't immediate, we tend to not to feel the pain of those purchases as much.

As a result, we spend more because our past purchases aren't influencing our current purchase.

When you pay with cash, you remember that you're spending the money because you're handing over cold hard cash but your **wealth is depleted immediately**, which makes it even more painful.

So give it a try for a week and see if you're spending less.

Hack Upgrade: Want to up the ante on this hack? Only carry hundred dollar bills. **Research has shown** people value $100 bills more, so they're less likely to spend them because they're overvalued.

3. Don’t Save Credit Card Information on Websites

This idea relies on the Effects of Payment Mechanism on Spending Behavior results too – if you didn’t feel the pain of a purchase when you paid with a credit card, you certainly won’t feel it if you save it on Amazon.com and only have to click once to buy!

Don’t save your credit card information on any websites.

This will protect you in the event the site gets hacked (and everyone gets hacked) plus you’ll be less likely to spend money because now you have to get your credit card each time you buy something. How many times have you aborted a purchase because the credit card was in the other room? Everyone’s done it.

I’ve actually seen this first hand myself on a business I run. We used to offer a free trial on **$5 Meal Plan** with just an email – so simple. 60% of folks who saw the offer would take it. We then required a credit card, that number dropped down to 10%. It didn’t fall *by* 10%, it fell *to* 10%. We weren’t going to charge the card until the trial ended but the simple act of having to get the card was enough to dissuade some.

4. Tell a Friend

Did you know obesity is contagious?

In a study published in the New England Journal of Medicine, researchers discovered that people were more likely to become obese when a friend became obese. Like a 57% chance. And they studied **12,067 people over 32 years**. Read the NYT article for greater detail and check out some of the more recent research of **Dr. Nicholas Christakis**, the principal researcher, because there's some fascinating new stuff too.

The bottom line is that our friends have a big influence on us and an even bigger influence on our finances. When I was younger, I used to go out to the bars all the time. No kids, few responsibilities, my girlfriend was in another state, and I really didn't have much to do after work (one of the reasons I started Bargaineering!).

So what did we do? We went to bars for happy hour. Our bars aren't expensive, on a per drink basis, but when you go every few days it starts to add up.

What would prompt the trips? A friend stopping by my cube and saying, "hey, want to go to Cancun Cantina later?" 🙂

The reverse is also true. Tell a friend you are saving towards something big and important, they'll want to help by *not* asking you to go to the bar as often.

And if they don't, they're more likely to accept a no without hassling you when you give a reason. That's backed up with research too! In 1977, psychologist Ellen Langer at Harvard University discovered that offering a reason for a small request increased the likelihood the request would be granted. The study was called "**The mindlessness of ostensibly thoughtful action: The role of 'placebic' information in interpersonal interaction**."

The tl;dr is that they asked to skip a line to use a Xerox machine using one of three requests. The first was to just ask to use the machine with no reason given, second was to ask with a real reason (in a rush), and third was to ask with a fake reason (I have to make copies). First version with no reason was granted 60% of the time, the other two were around 95%. The reason didn't matter.

So by telling your friend a real reason, or a fake one, they're almost always going to not hassle you about it.

5. Buy Experiences, Not Things

This last one isn't something that you can **do**, like tell a friend or set a savings goal, but it's a very powerful lesson.

Things don't make you happy, experiences do. As I like to say, things depreciate and memories appreciate.

So two studies to support this – first is the idea known as **hedonic adaptation**.

First given a name in 1971 by Brickman and Campbell in their paper "Hedonic Relativism and Planning the Good Society," hedonic adaptation, or the hedonic treadmill, is the idea that we all have our set point in happiness. As good things happen, our happiness goes up but eventually settles back onto the set point. As bad things happen, our happiness goes down but eventually rises back to the set point. Lottery winners are a prime example (and the basis of some of their future studies).

What happens with things is that you really only experience that happiness once. You buy a new car, it's awesome because it's better than your old car, you're so thrilled, but eventually it's just your car. You settle back to your happiness set point.

Why is this different with experiences? For that we turn to two research papers:

- "**We'll Always Have Paris: The Hedonic Payoff from Experiential and Material Investments**" (Thomas Gilovich, Amit Kumar) – tl;dr is we're making more money, why aren't more people happy and what should people spend it on? We should spend it on experiences because it's less prone to hedonic adaptation.

- "**Waiting for Merlot: Anticipatory Consumption of Experiential and Material Purchases**" (Amit Kumar, Matthew Killingsworth, Thomas Gilovich) – tl;dr is that the happiness in the anticipation of an experience is higher than that of buying a thing.

Think about the last time you bought a car and the last time you booked a vacation. The first study says that you're more likely to look back fondly on the vacation. The second study says that before you went on the vacation, you'll have enjoyed the anticipation more. I know that's true for me, I suspect that it is also true for you.

So, if you want to maximize happiness per dollar spent, spend it on an experience.

I hope you enjoyed this guide!

If you enjoyed this guide, saved some cash (or well on your way… did you tell a friend yet?), and want to get even more awesomeness - sign up for our newsletter and get access to exclusive bonus material.

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Thanks!

Jim Wang