

PERSPECTIVES

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Behavioral finance

We're half way there: How to carry out your resolutions?

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Many of us make New Year's resolutions only to forget them – until the next New Year winds around. But maybe we should revisit our resolutions before then. Now, at 2018's midway point, seems a good time to freshen them up with some Half-Year's Resolutions.

According to a 2017 Ipsos poll, Canadians' top two New Year's Resolutions were:

1. Improve personal fitness and nutrition (33%), and
2. Focus on financial goals (spend less, save more, settle debts) (22%).

Whatever your goals, a key to achieving actual change is to focus on *habits*. A habit, according to Wikipedia, "is a routine of behavior that is repeated regularly and tends to occur subconsciously."

Habits often start as conscious, purposeful decisions. They can also begin without us even being aware of them. Either way, over time and with repetition we assign habits to the automatic part of our brains. We do most habits without even thinking about them.

There's a saying, "Humans are creatures of habits." We depend on habits for a large part of what we do. We likely couldn't survive long without them. Our conscious brains would become overwhelmed making the thousands of trivial decisions each week that our habits cover now.

But, while habits are necessary and mostly useful, we can also develop some harmful ones. Achieving positive change often requires us to replace bad habits with good ones. So how do we do this?

First we need to understand the *habit loop*. Habits comprise three things:

1. A **cue** – the thing that triggers the habit
2. A **routine** – what we do in response to the cue, and
3. A **reward** – the physical or psychic benefit to us.

A habit gets developed and strengthened as we repeat this habit loop over and over. In his book *The Power of Habit*, Charles Duhigg cites the "Golden Rule" of habit change: "You can never truly extinguish a bad habit. Rather, to change a habit, you must keep the old cue, and deliver the old reward, but insert a new routine."

So rather than trying to just stop doing something, identify the specific cue and specific reward. Figure out a new routine that will better meet your goals and deliver the same, or a similar, reward.

Let's say you want to quit snacking at work. The first step is to figure out what, exactly, is the cue or trigger for your snacking. You might discover that it's not hunger, but rather a need for distraction. Next time you feel that cue, don't respond by snacking. Apply a conscious effort and insert a new routine like going for a short walk or getting a drink of water.

Hopefully you can find a routine where the reward feels good enough to satisfy you.

Or perhaps you spend too much money shopping online. You notice you shop when you feel stressed. By diverting your attention, shopping helps you relax. The key to changing the habit is to be aware when the cue arises, and then change the routine. Perhaps go for a walk, try balancing on one foot, stretch, or close your eyes and meditate. Try to find something that feels positive and substitutes for the shopping as a way to relax you.

At first, changing a habit will require conscious effort. It will likely involve accepting a reward slightly less satisfying than the old routine provided. But habits strengthen with time and use. If you stick with it, the new habit will get easier. Likely you will come to crave the new reward, perhaps even more than the previous one. Changing habits is also easier if you've committed to change to a group or another person, and they're supporting you.

Good luck with your Half-Year's Resolutions. Wouldn't it be nice to bring in 2019 with some great new habits already in place! ■



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