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The psychology of financial success

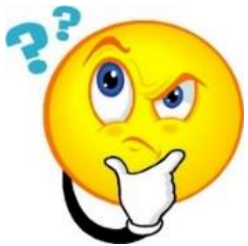
Financial literacy and behavioural bias

[15 July 2026 | Prof Erica Derbyshire CA(SA) | Living Lab through HER Story]

SECTION ONE

Financial Literacy vs Financial behaviour

Activity 1



01 What qualities and habits (good and bad) do John and Adeline have in common?

02 What factors could hamper the financial success of John and Adeline?

03 What would be the consequences if John and Adeline do not start doing some things differently?

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SECTION TWO

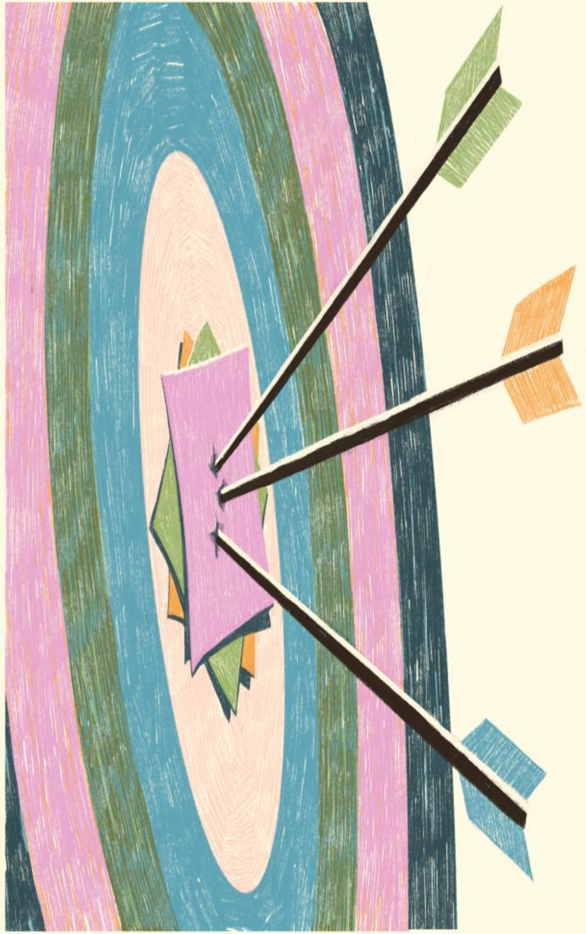
Financial Success

The speed of your success is limited only by your dedication and what you're willing to sacrifice

— Nathan Morris

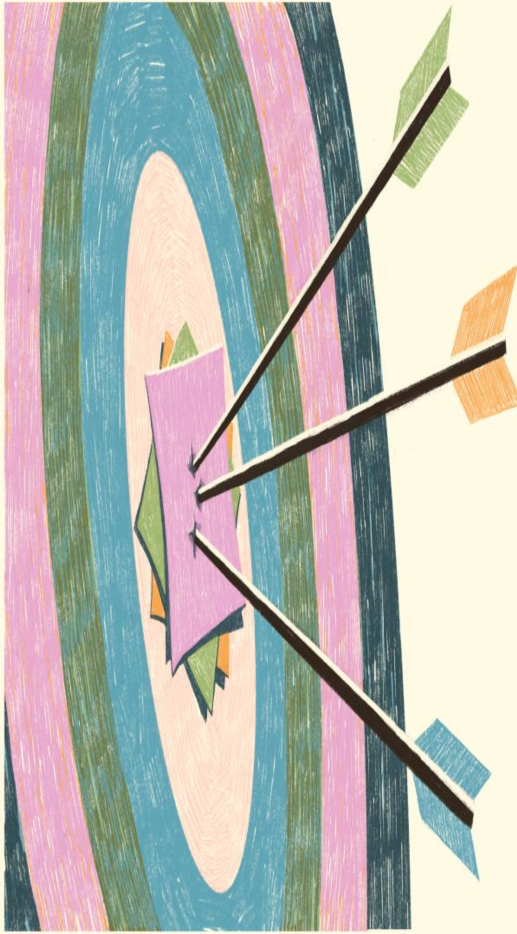
What is financial success?

Emphasises **long-term financial freedom** – reaching a point in your life where you are free to live an **ideal** life without being controlled by money.



What is financial success?

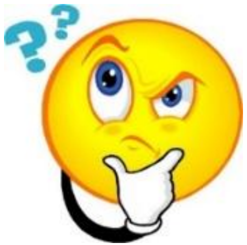
- Focus **less** on **appearance**
- **Self-discipline**: Controlling the urge to spend
- Living **within your means** and not comparing yourself to others
- Prioritising spending on assets and investments that **increase income potential** rather than on items that lose value or are quickly consumed.
- **Monitor & Control:** Knowing your financial situation (position) at all times
- Making decisions with a clear **goals** in mind
- Have an **emergency plan** in place
- **Limiting debt** exposure and high-interest rate facilities



SECTION THREE

Behavioural bias

Activity 2



Per your company policy, employees do not receive performance bonuses. However, this year, your employer surprised everyone. You all received a bonus on the 25th of November, equivalent to two months' salary.

How do you spend this money?

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Behavioural Biases

Restrictive

- Impulsivity / Irrationality
- Greed
- Stress & feeling hopeless when having to deal with money
- Bounded rationality
- Overconfidence
- Loss aversion
- Mental Accounting
- Illusion of control
- Cognitive dissonance

Positive

- Financial aspiration
- Financial self-efficacy
- Emotional control

Restrictive behavioural bias

Impulsivity

Acting without thinking or acting without first considering the implications of the actions. We tend to become more irrational in circumstances of uncertainty

Greed

Excessive desire to have more of something or something that belongs to someone else

Stress/ Hopeless-ness

Leads to an individual losing interest in financial activities & they then lose hope in their ability to change their financial position due to overwhelming emotions

Restrictive behavioural bias

Bounded rationality

Information availability limitations and the limitations inherent in the mental capacity of an individual to comprehend information will have an impact on the quality of the decision made

Over-confidence

When an individual is over-optimistic about the potential outcome (consequence) of a decision

Loss aversion

The pain of losing is much harder than the joy that comes with a gain

Restrictive behavioural bias

Mental accounting

When individuals view money based on its income source or where it will be spent. Where people view the same amount of money differently based on a subjective criterion they created in their minds about the amount

Illusion of control

When individuals overestimate or have an exaggerated sense of their control over events and or occurrences. Can be compared to gambling

Cognitive dissonance

New information obtained by the person clashes/conflicts with their past experiences, the individual's beliefs, opinions, ideas, values and their behaviour

Positive behavioural bias

Financial aspiration

An individual is motivated to achieve financial success and demonstrates persistence in pursuing a goal. They are likely to achieve their aspirations

Financial self-efficacy

To have confidence in their own knowledge and abilities when they have to put in work to reach their financial goals

Emotional control

Being able to identify when you are experiencing certain emotions and then to regulate those emotions so that an individual is able to think before they act

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If you can pay it off, you can save for it

— Erica Derbyshire

THANK YOU

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