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ANALYZE: Change a Bad Financial Habit

We all have had that experience of developing a bad financial habit that we just can’t seem to shake. Maybe it’s that daily coffee you buy and you keep telling yourself, “Just for today!” Or maybe it’s the “occasional” shopping spree that you treat yourself with that really becomes a monthly expense.

Smart money management requires building a foundation in strong, healthy financial habits. In this activity, we’ll learn about how habits work and then apply that knowledge to a financial habit that you’d like to change.

**Part I: Choose a Financial Habit**

Take a few moments to think about a financial habit you’d like to change. Then, answer the questions below.

1. What is the financial habit you’ve chosen? Why do you want to change this habit?

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1. Provide some detail about this habit:
   1. How long have you had this habit?
   2. How do you think this habit started?
   3. Have you tried to change this behavior in the past? If so, what happened?

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**Part II: The Habit Cycle**

Now that you’ve reflected on a financial habit you’d like to change, let’s take a step back and look at how habits actually work. In his very popular book, The Power of Habit, Charles Duhigg explains the **habit cycle** and its three main components. Watch this short [video](https://www.youtube.com/watch?time_continue=206&amp=&v=W1eYrhGeffc) on the habit cycle and answer the questions below.

1. For Charles, what was the cue, routine, and reward for his habit? Write them down next to each step in the habit cycle below.



1. Describe how Charles found out what his cue and reward were in the habit cycle above.

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1. You may have thought that Charles’ reward was the cookie itself -- delicious! But really, Charles determined that **socializing** was the true reward of his daily cookie break.
   1. How did that knowledge help Charles change his habit?

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* 1. What routine did he replace his cookie eating routine with?

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**Part III: What Might Your Cue and Reward Be?**

1. Take a moment to reflect on the habit you want to change and think about what your potential habit cycle could look like.
   1. What is the routine for your habit? Write it down in the cycle below next to “routine”.
   2. What could be some possible cues for your habit? Make a list below in the cycle next to “cue”.
   3. What could be some possible rewards? Make a list below in the cycle next to “reward”.



**Part IV: Create a Plan**

As he explained in his video, Charles Duhigg spent a few days tracking when his habit occurred to figure out what the cue was. He then had to test several hypotheses to determine what his reward was. In order for you to figure out what your actual cue and reward are, you too will have to observe your own behavior and track your findings. Use the questions below to create a plan for how you will do so over the course of **7 days**.

1. How will you track when the cue for your habit occurs?

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1. Once you’ve determined the cue for your habit, how will you test what your reward is? How will you record your observations?

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1. What reminders (if any) do you need to set so you remember to follow this plan each day?

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**Part V: Execute Your Plan**

It’s time to put your plan into action! Follow your plan for the next 7 days to determine what the cue and reward are for your routine.

1. At the end of the 7 days, write down what you found to be the cue and reward for your routine in the habit cycle below.



1. Now that you know what reward is driving your habit, what routine(s) can you replace your current routine with so that you ultimately *change your habit*?

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1. Fast forward 5 or 10 years and you are in your mid-to-late twenties. Imagine that you have NOT been able to change your bad habit, and you have many other financial obligations (e.g. rent, car payments and insurance, groceries, phone bill, etc). How do you think your bad habit will impact your life as an adult compared to how it impacts your life now as a teenager?

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**Part VI: Reflection**

1. In a paragraph, explain how the habit cycle has impacted your understanding of your financial behavior and your ability to change it.

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