RBH Mindset

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Mind *over* Money

New research for 2026 has found that 39% of Brits have less than £1,000 in savings, with 25% having just £200 or less.

In a world where the cost of living is ever increasing and futures are more uncertain, saving money is simultaneously more difficult and more important than ever.

When it comes to saving money, the majority of people find it does not come second nature. The issue lies in that when confronting our savings accounts, we come to a clash between the rational person we think we are, and the emotional creature we actually are. Money and finances are much more emotionally and psychologically intertwined than most of us realise. In reality, our money problems are less about maths and more about psychology.

Let’s break this down

Construal level theory explains the relationship between psychological distance and level of abstraction. Simply put, the further away something seems, the less ‘real’ it is in a person’s mind.

To demonstrate this, one study used virtual aging technology to show participants their future selves. Those that had seen an aged version of themselves apportioned more money to their hypothetical pension than those who had not seen the visualisation.

This shows us that forming a deeper connection with a future self makes the concept of retirement and aging more real, and makes people think more about their future rather than the present.

It has also been found that those thinking more abstractly about their future are more likely to take risks and focus on possible profits and growth rather than possible downturns and losses. When people think about their near future more concretely, they are much more risk-averse and focus more on potential decreases in wealth. Generally, people struggle to see past the present. This is also sometimes referred to as **hyperbolic discounting**, or **present bias**.

Humans are also hardwired for immediate gratification. After all, why put £300 into your savings account when there’s a flash sale on the new Ninja kitchen gadget? Sure, the £300 could double if you leave it alone for a bit, but the dopamine rush of seeing that package arrive at your door is right now.

Hand in hand with construal level theory, we have **cognitive dissonance** playing a role as well. Cognitive Dissonance is the psychological theory that the more effort we perceive to be involved in reaching a goal, the further away it feels.

Of course, this isn’t just applicable to finances, but also to other goals, for example “I can’t get six pack abs, it’s just too difficult”. When applied to finances, we know that many people don’t even start saving for a house deposit, as they feel that it will ‘never happen’ due to the large lump sum of money needed.

Terror management also comes into play when we’re saving for something that feels really daunting. Typically, this is most relevant when it comes to saving for retirement. If people are apprehensive about retirement, they will push it to the back of their mind, and therefore not plan for it. We generally don’t like to think too much about retirement, as it often means confronting the natural slowing-down of life.

Another reason we are typically bad with saving money is one of the oldest retail marketing tricks in the book - **anchoring**. We see this in action every single day, with people buying the expensive designer bag, because it’s 40% off, even though it’s still massively overpriced.

Seeing the ‘original’ price tag on a discounted item makes us feel like we’re saving money, but in reality, if it wasn’t on sale, we would never have bought it in the first place. Rather than saving £200, you’ve actually spent £300.

What kind of spender are you?

26%

of UK adults say just thinking about money makes them anxious.

Money decisions are driven by feelings first and maths second. Answer honestly, follow the arrows and meet your money persona - every one of them backed by UK research.

START HERE

Do you avoid checking your bank balance like the plague?

Yep, guilty...

No - I need to know what’s going on

When you come into extra money, what’s your first thought?

Sweet - time for an upgrade!

Straight into the savings account

How do you tend to feel when spending money?

Okay with it - I don’t want to miss out!

I only spend what I need

The Ostrich

Ignores statements and hopes for the best. If they don’t look at the debt, it doesn’t exist.

1/5 22% don’t check how much money they have because they’re worried what they’ll find - rising to 43% of 18-27s.

The Status Seeker

Upgrades their lifestyle the moment the payslip lands. Buys things that signal success.

52% compare their financial situation to friends and family - and 30% have been tempted to buy because someone else did.

The Maximiser

Won’t buy anything without hunting down the absolute best deal - then second-guesses it an)’\vay.

£184 of impulse spending per person, per year, is later regretted - out of an average £416 splurged.

The Hoarder

Saves hard, spends painfully. Feels real anxiety parting with money - even for essentials.

61% of people with £10k+ in savings and investments hold all or almost all of it in cash.

How to shift the mindset

So, now we know that our brains are working against us, how can we fight against consumerism and get back into healthy financial habits?

The fact is, the harder it is to do something, generally the less likely we are to do it. If we want to get serious about saving money, the best thing we can do is make it as easy for ourselves as possible. This is what friction tuning is all about - making bad habits hard and good habits easy. If you're guilty of dipping into your savings every month for non-essential purchases, make it much harder by moving your savings from an easy access account into a locked-down account which has a time lock or more difficult withdrawal process. If the process to access your money is harder and more time consuming, you will be much less likely to access it for impulse purchases.

Similarly, making it much easier to put money aside will greatly increase your chances of actually doing it. Turning on automatic round-ups or setting up a direct debit to transfer money into your savings means a completely hands-off approach. This helps to bypass all of the psychological barriers we talked about earlier, such as cognitive dissonance and construal level theory, allowing us to save without going into an existential crisis every month.

Another way we can help ourselves is by using reframing techniques. This is all about shifting our mindset towards money and helping to look at it from a different angle. If saving £40 per week sounds too daunting, think of it as having one less takeaway per week instead. Or the cost of a medium coffee at Starbucks a day.

This helps us to think of money in less abstract terms and turns it into a more tangible idea for us to process. This works to directly combat the symptoms of construal level theory, by helping to reduce the psychological distance and level of abstraction of our money by attributing physical characteristics to it.

How could a bank or FS company solve for this problem?

Framing and anchoring only work if a bank puts them in front of a customer at the right moment, so the real challenge is turning these psychological levers into features people meet naturally within everyday banking.

The most reliable lever is defaults. People rarely opt out of a sensible default, but they rarely opt in to one either. A bank could make round-up saving or a small slice of every payslip an opt-out feature rather than an opt-in one, borrowing the same logic that made pension auto-enrolment so effective at scale.

Anchoring can be flipped from a retail trick into a savings habit. Instead of anchoring customers to a discounted price, a banking app could anchor them to a positive reference point, showing what similar customers typically save each month, or suggesting a starting percentage slightly above what the customer would have picked unprompted.

To fight construal level theory and the psychological distance people feel from their future selves, apps can shorten that distance visually. Letting customers name a savings pot after a real goal, attach a photo to it, or see an aged version of themselves next to a projected pension pot makes 'future me' feel real rather than abstract, and real people are harder to let down than hypothetical ones.

Mental accounting tackles Present Bias directly. Splitting money into clearly labelled pots the moment it lands, rather than leaving it in one general balance, makes an impulse buy feel like it's coming out of a goal rather than out of spare cash, especially when paired with friction tuning to add a short delay before that pot can be touched.

Commitment devices let customers pre-decide for their future self. Locked savings challenges, round-ups that can't be switched off for 30 days, or a 'no-spend week' streak all rely on the customer choosing the hard version of the rule while they're motivated, leaving present bias less room to argue later.

Finally, loss-aversion framing changes how existing spending gets reported back. Instead of neutrally listing a forgotten subscription as a monthly cost, framing it as money the customer is losing every month taps into the fact that losses are felt far more sharply than equivalent gains, making people much more likely to act.

Put together, these levers don't ask customers to become more disciplined people, they ask the bank to build a system where the easy path and the sensible path are the same one.

What have we learnt?

In conclusion, working towards financial health is not about ignoring your emotions, it's about building systems and structures that work for you.

With everyday living becoming more expensive than ever before, creating habits which work for you is essential to creating strong financial practices.

Rather than creating complex systems which leave you scraping together pennies at the end of the month, start small and slowly build sustainable practices which are feasible long-term. After all, if you look after the pennies, the pounds look after themselves. The real barrier is first overcoming yourself and your current habits.

In short. Master your mind, master the money.

If you want to turn these insights into a powerful creative-first solution for your brand, then get in touch at hello@rbh.co.uk

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