UTI Mutual Fund

Haq, ek behtar zindagi ka.

10 YEARS

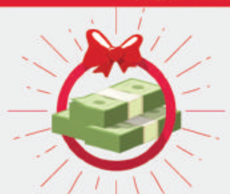
UTI SWATANTRA

An investor education initiative

Swatantra Kumar Explains: Mental accounting

Simply put, mental accounting is the tendency of people to categorise money into different accounts and treat it differently. This can be based on different criteria such as:

The source of money



If you are to spend the money that some relative gave you as a gift, you will spend it freely on all your favourite things.

On the other hand, if you are to spend your hard-earned money – your salary, you will be far more cautious.

The intended use of money

Say, you are saving money regularly for buying a phone, and at the same time, you have an outstanding credit card bill. But you choose not to dip into these savings for paying off your dues.

The bottom line

Just because you believe that money from different sources/ for different uses are non-fungible or cannot be interchanged, you end up making decisions that are not financially sound.

It is a good thing to save regularly and systematically.

However, you must not let the mental accounting bias for saving money affect your financial well-being.

*This content was created exclusively for UTI Swatantra. Visit http://www.utiswatantra.com for more information

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