

[BE FOUNDATIONS] MENTAL ACCOUNTING



Money in your pocket spends easier than money in your 401k. Use this worksheet to see how MENTAL ACCOUNTING impacts your business.

MENTAL ACCOUNTING

Even though money (and time) should be fungible (i.e. interchangeable) our brains don't see it that way. Money in savings is different from checking or a 401k. Credit cards are different than cash, which are different than poker chips. Money you've won is spent different than regular income - and this all impacts the way you spend and how you should set up your products and services.

1) EXPENSES, WEALTH or INCOME

The type of money impacts how it is spent.

What mental account does your product or service come out of for your customers? What type of income are they more likely to use to buy from you?

2) PREPAYMENT or PAYMENT PLAN

Not everything is impacted by time discounting.

Most people would prefer to pay off a vacation in full before they go (and they will enjoy it more) while a washer/dryer is paid in installments. What category do you fall into?

3) GROUP LOSSES and SEPARATE GAINS

Adding one more purchase to a credit card doesn't add extra pain, but you should never wrap all the Christmas presents in one box. How does this impact your business and customers?

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