

# CREDITCARD Syndrome

A book for  
credit card users

Discover the  
psychological effects  
credit cards have on  
your spending  
behaviour

Best-selling author

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PUBLICATIONS

## ***A word of thanks...***

To my parents, clients, lecturers, course-mates, collaborators, business partners and friends for giving me the opportunity to educate on personal finance through my work.

And to all the participants who attended my talks, workshops and participated in my research projects over the years — you are the engine that drives my work and writing, and I am deeply grateful for all your help.



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# About this book

Are you in control of your credit card or does it control you?

Credit cards have become an essential part of our life. They give us a sense of security and convenience. We use them as often as possible and some people even use it instead of cash. It's almost true we cannot leave home without it.

In business, credit cards make money for credit card issuers, financial institutions and merchants. When payment made by credit card is allowed, merchants see an increase in sales. Easy payment and zero interest instalment payments using credit cards are part and parcel of marketing gimmicks that make consumers spend more than they can afford. Online businesses rely almost 100% on credit cards to enable online purchases.

Merchants know how to lure you — without you being aware of it — into using credit cards by making it easy and attractive to use the card. Financial institutions encourage you to use the card frequently by offering rewards, gifts and special discounts. During times of emergency, you turn to credit cards when you don't have sufficient cash.

All these benefits are good for us if we know how to use the card in a controlled manner but bad if our emotional urges or irrational thoughts lead us to using the card in an impulsive manner. This is far too easy given the multitude of ways and circumstances in which people use their credit cards. When credit card usage gets out of control, people end up in

debt. Adults of all ages are getting into credit card debt while kids think that credit card is easy money — just swipe!

How do we stop this spiral of overspending and being debt-laden, and how do we avoid the credit card traps? There is no short answer. Every individual is different. We have our own peculiarities, own unique mindset, personality, behaviours and attitudes. Even identical twin siblings could display different behaviours when it comes to money and credit cards. Our age, life stage and lifestyle, environment, family nucleus and career status create different spending behaviours, and affect how we view credit cards.

Therefore, I draw from a wide range of published research studies and books on neuroscience, behavioural finance, financial psychology and human behaviour and attitudes, as well as my research project on credit card mismanagement attitude, to help you understand the reasons for your credit card mismanagement and find suitable solutions. I have synthesized the different views and perspectives presented into an easy-to-understand manner with applications to real life situations. I hope it will help you discover new frontiers of understanding the psychology of personal finance and neurofinance, and more importantly how that links to your views about credit card.

Unless you decide to get rid of all your credit cards and use only cash, you need to use your brain to make wise decisions that keep your credit card spending under control. Therefore, in this book, I hope to give you deeper knowledge of your personal

thoughts, emotions, life perspective and sources of daily influences on credit card.

As a responsible and rational person, we should take control of the card and not allow it to influence us into overspending and getting into debt. But first, you need to accept your personal flaws. Next, you need to acknowledge that you are not a perfect person, and there is help to improve your flaws and weaknesses. Only when you accept that and understand how your brain functions, will you know how to make changes and improvements.

I offer a bag of strategies, techniques and methods to help you get out of your credit card spending problems, depending on the symptoms and root causes. You will find some useful ideas and techniques to control your credit card spending in the 3-Sequence Intervention of Thought (3-SIT) and the self-management programme of Controlling Your Overspending Behaviours (CYOB) which I have designed for you. Take action by implementing ideas and methods that work well for you; trial and error is the best way to move forward.

I complete the book with a chapter on the collaborative consumption trend. In this fast-paced world, we hear of new products and services in the market place every day. We are inundated by too many choices of products and services created by the business community. The consumer market has led us to live in the world of excessive consumerism. In turn, our overconsumption attitude has led to acceleration of the costs of living because of the depletion of natural resources, and also resulted in damage to the environment because of excessive waste.

On a macro level, credit card spending has impacted natural resources and Mother Nature. You and I may not realize the snowball effect of the supply chain when we consume a product or use a service, but if we measure the credit spending of several billion people living on this Earth, the effect is massive.

Can you and I ensure a sustainable environment for an ever-increasing population? The result is obvious. Mother Nature is warning us with natural disasters like climate change, floods, tsunamis, melting of icebergs, earthquakes and eruption of volcanoes around the world. These warnings are not 'localised' within a small area, but has spread across the continents and oceans, almost like an infectious viral disease. You can make the world a better place by becoming a conscious consumer and practising collaborative consumption.

It is my wish that you gain better control and management of your credit card spending and debts, and reduce overconsumption. However, it takes two hands to clap. Before you can accept ideas and suggestions on how to change your spending behaviour, you need to be ready to uncover and discover your personal worldview, mindset, belief, perspectives and attitude towards your own actions and decisions that lead to spending.

I wish you well and good luck. Your journey of discovery begins with this book. Enjoy! 😊



# **INFLUENCES OF CREDIT CARD**





# Chapter 1

## Neurofinance: Brain and Credit Card Spending

For most purposes in daily life, your brain steers you away from danger. It knows your basic needs; like food, shelter and love. It reliably guides you towards satisfying your needs and wants, and achieving rewards.

But that same intuitively brilliant ‘machine’ can lead you astray when you face challenging situations in everyday life. In all its miraculous and complex multi-tasking functions, your brain is at its best and worst — and its most profoundly human — when you make decisions about money.

That is why it's hard to control your credit card spending until you truly understand the root causes. Financial textbooks will tell you the problems associated with credit card spending and give you ideas on how to manage debt. But over the years, many credit card users have told me what their biggest frustration is: they know the facts and yet are unable to learn from their mistakes, and repeatedly fail to take the right actions. Like smokers and drinkers, they know it is not advisable to drink or smoke too much but they still crave it and can't get rid of the habit or addiction.

People know they should use a credit card only when necessary and only within financial means. However, most times, they are overwhelmed by their

behaviours, external influences and 'noise'. Although they regularly use a credit card, they know very little about their own credit card spending behaviour. They have a body and brain that works for them, and yet they don't quite understand the workings of that body and brain. They let it dictate emotions, behaviours, actions and expectations. Are you one of them?

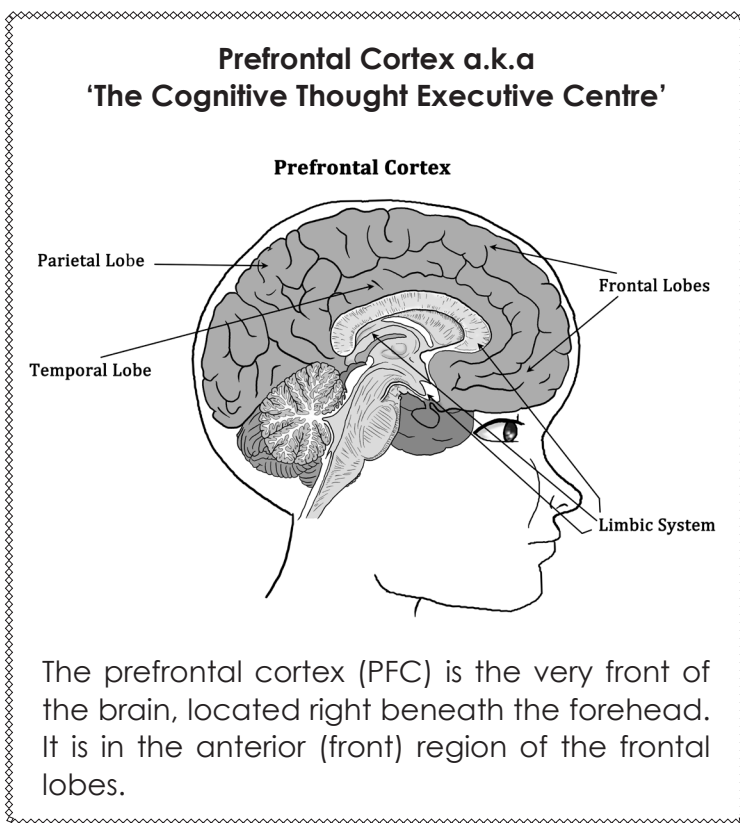
To get to the root of the problem, we need to go beyond financial facts and theories. We start by understanding the brain. I have mentioned how our brain greatly affects our financial outcomes in my books: *Money Rules*, *Smart Money-User* and *Money Work Life*. I will focus on it in this book, this time at a much deeper level.

Your brain is the most important function organ in your body and is made up of almost 100 billion neuron cells. It navigates through the thousands of synapses and neurotransmitters (chemical) in the neuron cells to create a response to your actions and decisions. Neurotransmitters in your brain are made up of about a dozen different chemicals that are made by neurons and used for communication between neurons during the performance of mental or physical activities like eating, sleeping, talking, thinking, dreaming and many more.

Our brain has different parts — when each part is stimulated, this results in thought patterns, emotions and eventually the outcome of decisions, in the form of actions, behaviours, habits and attitude. It's logical to assume that the emotion generated by

our brain is the enemy to good spending decisions and that logical thinking is the ally of a good spending outcome. But that isn't necessarily true as pure emotionless rationality can be as bad as sheer emotion unchecked by logical thinking. Read on and I will prove it to you in Chapter 3 and 4.

We need first to get to know our brain better. Here's a simple introduction of brain functions of Prefrontal Cortex and Limbic System.

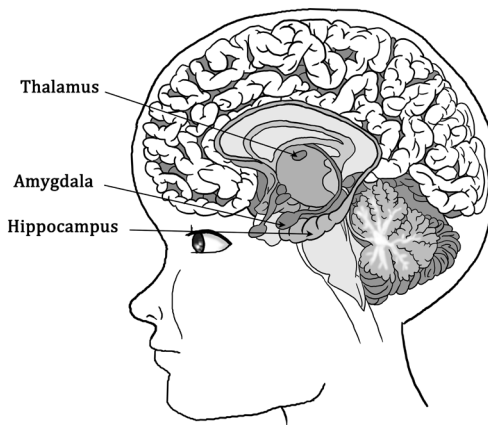


It is physically in the front of the brain and also responsible for the executive functions, which include mediating conflicting thoughts, making choices between right and wrong or good and bad, planning, processing information and making decisions including financial decision and predicting future events, and governing social control — such as suppressing emotional or sexual urges.

The prefrontal cortex is the brain center most strongly implicated in the areas of sentience, human general intelligence, and personality.

### **Limbic System a.k.a 'The Centre of Emotions'**

**Limbic System**



The limbic system is a set of evolutionarily primitive brain structures located on top of the brainstem and buried under the cortex. The center of emotions in the brain can be found in the limbic system where the different types of emotions are regulated through the release of neurotransmitters.

The limbic system structures are involved in many of our motivations, particularly those that are related to survival. Such emotions include fear, anger, fright, passion, love, hate, joy and sadness, and emotions related to sexual behaviour. The limbic system is also involved in feelings of pleasure.

Certain structures of the limbic system are involved in memory as well. Two large limbic system structures, the amygdala and hippocampus play important roles in memory.

The hippocampus sends memories out to the appropriate part of the cerebral hemisphere for long-term storage and retrieves them when necessary.

The amygdala is located deep within the temporal lobe of the brain and involved in the processing of emotions such as fear, anger and pleasure. The amygdala is also responsible for determining what memories are stored and where the memories are stored in the brain. It is the thought that this determination is based on how huge an emotional response an event invokes.

## **Prefrontal Cortex System Dysfunction**

Although I don't focus on the biological make-up of the brain, it is important to mention briefly an important part of our brain i.e. prefrontal cortex system.

There is mounting evidence that prefrontal cortex systems play a role in the processing of financial information and in guiding financial behaviour.

According to Samuel Tekin and JL Cummings, different regions of prefrontal cortex, the dorsolateral, orbitofrontal, and anterior cingulate and associated regions of the striatum and thalamus, are known to play different roles in aspects of executive function. In a study by DL Masterman and JL Cummings, they found the dorsolateral part of prefrontal cortex mediates conceptual reasoning (both verbal and nonverbal), mental flexibility, planning and working memory.

In response to monetary reward and punishment, functional neuroimaging in healthy individuals has repeatedly shown prefrontal-cortex systems activating. In response to monetary rewards, the orbitofrontal cortex activates. Monetary decision-making created predominantly right-sided activation across multiple prefrontal areas: dorsolateral, orbitofrontal and anterior cingulate.

Given the logical role of prefrontal cortex systems in management of finances, one can anticipate financial mismanagement (including credit card misuse) in neurological illnesses affecting these

areas of the brain. This means certain people who have a mental disability or illness will have difficulty managing their finances. We should empathise with them and find the necessary solutions to ensure they don't get into financial problems.

Now with new insight on prefrontal cortex functions, do you feel you have better knowledge of how decisions are made in your brain?

You should be able to make sound financial decisions unless there are other parts of the brain that influence you to do otherwise. You will soon find out the mysterious workings of these other parts; they lead you to making decisions that are not financially wise.

### **Genetics Linked To Spending Behaviour**

When trying to understand why some people have trouble living within their means, there is a tendency to blame factors such as high costs of living and irresponsible spending.

Researchers have found another possible culprit to add to the list — a gene linked to credit card debt. This study was mentioned in the article “Born into Debt” by Valerie Ross, published in *Scientific American Mind*.

Researchers at the University of California, San Diego and the London School of Economics studied how the monoamine oxidase A (MAOA) gene plays a role in accumulation of credit card debt. Earlier



research work had shown that genetics play a role in how people handle money, but this study was the first to show that a particular gene affects financial behaviour outside the lab.

The researchers looked at genetic data and questionnaires already collected from more than 2,000 young adults aged between 18 to 26 as part of the National Longitudinal Study of Adolescent Health. In particular, they looked at whether these young adults said they had any credit card debts and what version of the MAOA gene they had. MAOA is an enzyme that breaks down neurotransmitters (signalling chemicals) in the brain.

Previous studies have linked the low-efficiency versions of the MAOA gene — the variants that cause less MAOA to be produced by brain cells — to impulsiveness. In the study, people with one “low-efficiency” MAOA gene and one “high-efficiency” MAOA gene were reported having credit card debt 7.8% more often than did people with two “high” versions. The researchers found that results were consistent even when they controlled for factors such as education and socioeconomic status. For people with two “low” versions of the gene, that credit card debt correlation jumped to 15.9%.

The researchers were surprised by the magnitude of the difference. “The effect is almost as big as financial literacy” (meaning people’s ability to digest complicated financial information) said Jan-Emmanuel de Neve, an author of the study. But, de Neve cautioned, an individual’s version of the MAOA gene does not predict whether he or she is carrying

debt. A gene may affect credit card debt the way other genes have been found to play a role in breast cancer, where a particular version of the gene increases risk. However, it must be remembered that many other genetic and environmental factors are important too.

The findings about genes being linked to credit card debt could explain why some people cannot change their credit card spending behaviour, despite being given education and advice. They probably need medical help and other methods to manage their spending behaviours.

What it comes down to is that we cannot really blame people or the environment if we end up with credit card debts. A large part of the problem lies in us. Although we have to live with what we are born with, we can make changes and improvements if we understand the “workings” of our internal thoughts and emotions. Numerous research studies show that you will get the best results when you regulate your emotions (manage by way of check and balance), not when you struggle with them.

Therefore, the subsequent chapters will share more insights and research findings on how your spending behaviours can be influenced, and ways you can break bad credit card spending habits.

I urge you to continue reading this book even if, in subsequent chapters, you find difficulties in confronting the topics which I will be sharing. It may help you uncover the unresolved hidden emotions and unconscious thoughts buried in you due to

'unfinished businesses' from the past that have subsequently impacted your finances and money situation.

### **Write Your Personal Reflections**

You may want to ponder for a while each time you finish a chapter of this book. Take your time to reflect on what you have read. Take out a pen and paper or notebook, electronic tablet or notebook, write down your personal reflections and the experiences you have had with your credit card. I believe you will go on a personal journey by writing those notes. You may want to write your "ah-hah" moments so you can recollect your discoveries.

The notes will help you uncover your relationship with credit cards, and help you discover how your credit cards have impacted your life and financial situation. They will also help you to find out the root causes of your spending behaviour.

As you continue to read this book, the notes will serve as reminders to look for solutions in rectifying the problem. There is no one answer or solution but it could be a 'bag of strategies and methods' to help you get out of your credit card spending.

Be mindful of your issues. Some of the techniques and methods I share in this book will help you overcome them when you continue to read the chapters. Write the techniques and ideas down and practice them to give you a head start in changing your spending behaviours.