

Mental depletion complicates financial decisions for the poor

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PBS:

Kristen Doerer: How does being poor affect people's financial decisions? What factors affect their decision making?

Dan Ariely: Well, none of us always make the best financial decisions. One of the big lessons from behavioral economics is that we make decisions as a function of the environment that we're in. And what is the environment that you're in, in terms of your money? They — as in everyone — want to take it away from you. Your immediate environment is comprised of coffee shops, supermarkets, websites, apps and all kinds of things — none of which have an interest in your long-term or short-term financial well-being.

So you can think about life as a battle between you and a doughnut shop. The doughnut shop wants you to eat another doughnut and pay the money, and you want to do it in the short term, but in the long term it's not good for you either financially or from a health perspective. And so people need help, and it's not just the poor.

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