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4 Ways to Save More in 2015

By Natasha Burton,
LearnVest
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The holiday season is officially in full swing. And that signals a spirit of indulgence for the next few weeks, whether it means splurging on a high-definition TV or indulging in another glass of eggnog at the company party.

But December is also an opportune time to set ourselves up for a healthier New Year. And for many of us, that means making smarter money decisions. In fact, Americans' top financial resolution for 2015 is to save more, according to a recent Fidelity poll.

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As with other popular New Year's resolutions—say, losing a few pounds or finally kicking that nicotine habit—the secret to success comes down to self-control, which just so happens to be the subject of "The Marshmallow Test: Mastering Self-Control," a new book by Columbia University psychologist Walter Mischel.

Mischel was the lead scientist behind the iconic "marshmallow test," a series of psychological studies from the 1960s that explored how well the promise of future rewards could motivate preschoolers to control themselves.

In a nutshell, Mischel placed marshmallows in front of preschoolers, who were told they could enjoy the treats immediately. But if they waited 15 minutes before indulging, they'd be rewarded with *two* bonus marshmallows. In the end, up to 70% of the children couldn't help but gobble up the marshmallow immediately.

Fast-forward a few decades when the researchers followed up with the participants, and found that the kids who were able to delay gratification were generally more successful, earned higher SAT scores and maintained healthier body-mass indexes. The test became a classic tale of the real-world value of self-control—a concept that Mischel says can be applied to various areas of your life, including retirement.

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Unfortunately, many of us are just like those 4-year-olds when it comes to squirreling away for retirement. Our more short-term money needs—like that new car we've been eyeing—tend to take precedence over long-term saving, causing us to miss out on the benefits of compound growth.

So how can you tap into the wisdom gleaned from the marshmallow test to combat the all-too-common urge to sacrifice retirement for instant gratification?

Three money pros share their insights on how to apply four crucial lessons from the experiment to your long-term nest-egg savings strategy.

Marshmallow Lesson #1: Visualize Yourself Reaping Future Rewards
One of the key reasons why so many of the kids in Mischel's study ate the marshmallow quickly is because they didn't feel a connection to their future selves—the one eating twice the number of marshmallows.

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And this doesn't appear to be something we outgrow. One Stanford University study measured the brain activity of adults after asking them to think about their present self, a total stranger and themselves 10 years into the future. After comparing the scans, the researchers found that the most similar brain activity happened when someone was thinking about the stranger *and* future self.

Translation: The participants thought of their future selves as, essentially, someone they didn't know—which also goes to show how it's possible to dissociate ourselves from our retired lives.

"Retirement is a very abstract idea that doesn't resonate with the emotional parts of the brain that actually motivate us to action," explains Brad Klontz, a CFP® and clinical psychologist.

The Retirement Takeaway
According to Mischel, the children in the study who had the self-control to wait were able to do so because they formed a mental image of

their future selves enjoying more marshmallows.

A similar mind trick can work for grown-ups too. A 2011 study revealed that when undergrads were shown avatars of what they'd look like at retirement age, they decided to devote *30% more* of their paychecks to their 401(k)s than those shown current images of themselves. Seeing their grayer, wrinklier selves cued the students to think as if retirement was just around the corner, compelling them to act accordingly.

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You can do the same through creative visualization. "To keep people focused on the future, it helps to have an image of what your retirement will really look like," says Scott Bishop, director of financial planning at STA Wealth Management. "Saving 10% of your salary in a 401(k) isn't visual. But being able to take two vacations a year, own a lake house and spend $5,000 per month in today's dollars*is*."

Klontz agrees. "The more vivid and specific you can make the images, the more motivated you will be to achieve your goal," he says. And if you're not sure where to start, begin by asking yourself questions like: Where am I living? What am I doing? Who am I with? Am I traveling the world? Hanging out at a family vacation home?

Once you've fleshed out this image, stay focused on what you'd like to achieve by revisiting it frequently, Klontz recommends. "Try placing it on a picture board you keep in your office and see each day," he suggests. "Or meditate on those images and feelings of your ideal retirement."

Marshmallow Lesson #2: Steer Clear of Temptation
In the study, even the preschoolers knew that "out of sight, out of mind" was the path of least resistance to exercising self-control. As the treats sat in front of them on a tray, "the temptation was great, and it was hellish for the kids to wait," Mischel writes.

But when the researchers placed the marshmallows *under* the tray, obscuring them from clear view, self-control came more easily.

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When it comes to retirement, your paycheck is akin to that marshmallow: The easier you have access to your money, the more likely you'll want to spend it to satisfy your more immediate wants.

The simplest way to troubleshoot this temptation? Keep any money earmarked for retirement out of the checking account that you use to cover day-to-day bills.

The Retirement Takeaway
"If you can set aside money before it lands in your bank, you won't take it into account when you make spending decisions," Klontz says. Of course, the most obvious way to put that into motion is to participate in a company 401(k), so contributions are automatically deducted from your paycheck. Or set up an automatic transfer to your IRA every month, if your employer doesn't offer a 401(k).

Klontz suggests implementing another rule of thumb: Whenever you receive a windfall, such as a raise or a bonus, automatically kick a portion of it to your retirement savings *before* mixing it into your checking. You can apply the same rule to other "found money," like your tax refund or the cash-back rewards from your credit card, notes Christina Povenmire, a CFP® at CMP Financial Planning in Ohio.

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Once you get into the habit of saving, it'll get a lot easier to compartmentalize the uses for your money, as opposed to viewing it as all up for grabs. In fact, the preschoolers who exhibited self-control adopted a similar strategy: Even when they*did* have a marshmallow in front of them, they mentally removed the temptation by*pretending* the treats they were looking at were just pictures.

The participants who told themselves the marshmallows were fake were able to wait as long as 18 minutes—while most children failed after just six. In other words, pretending part of your paycheck was never game for spending in the first place—by automatically diverting it toward your financial goals—can make saving easier.

Marshmallow Lesson #3: Get Happier About What You Already Have
Many of Mischel's successful subjects employed an interesting tactic that helped them stave off their marshmallow cravings: They were able to physically and mentally distract themselves by focusing on the positive things that surrounded them.

Just before beginning the experiment, the researchers encouraged one group of children to brainstorm fun thoughts or memories of happiness. Some examples were as simple as being pushed on a swing by their moms—but the effect on their self-control was astonishing. "When happy thoughts were suggested, children waited for more than 10 minutes, on average—even when the rewards were exposed," Mischel writes.

At other points during the study, they took to singing and playing by themselves—anything not to have to think about the sweet treat. "Don't look at what you are waiting for," one 9-year-old wrote at the end of the study. "Use what you have at the moment to entertain yourself."

The Retirement Takeaway
So how do we practice the preschoolers' wisdom in the day-to-day? Financial pros recommend harnessing the power of a simple gratitude journal, or an ongoing list of the people, experiences and things you are thankful for. What you jot down can be as simple as the invigorating morning run you had with your dog or the peppermint latte you enjoyed for an afternoon pick-me-up.

These small but invaluable experiences can have a positive effect on your money by encouraging delayed gratification. In one Northeastern University study, participants who reflected on experiences that made them feel grateful were as much as 12% more likely to forgo receiving $55 up front, in exchange for $85 in three months.

Practicing the power of gratitude can also be achieved through what psychology experts call "savoring" your spending, or prolonging positive emotional experiences. "It's so easy to keep buying things," Povenmire says. "The key is to focus on the stuff you've already got rather than think about that next new purchase."

So the next time you get an itch for an iPhone 6, take a moment to look at the Tuscan vacation photos on your perfectly good iPhone 5—you'll not only feel better but you will have saved yourself a few hundred dollars that could then be funneled into your retirement savings.

Marshmallow Lesson 4: Reward Yourself—Within Reason

To most people, self-control probably conjures up feelings of deprivation and denial. But rewarding yourself now and then can be an effective strategy for staying on track with your goals.

Mischel chalks this up to the "tired will." "Self-control is like a muscle," he writes. "When you actively exert volitional effort, 'ego depletion' occurs, and the muscle soon becomes fatigued." In other words, constantly telling yourself no to every single indulgence can actually*lessen* your ability to exercise self-control the next time temptation crosses your path. "Everyone has to allow something in their budget that makes them feel good," Povenmire says.

But what's the fine line between treating yourself … and getting waylaid on your way to paving a financial future?

The Retirement Takeaway

Bishop recommends what he calls "backing into your budget," or setting up dedicated contributions toward your expenses and priority goals first—and then allowing yourself to enjoy the rest guilt-free.

It's as simple as taking your monthly take-home pay and then subtracting your fixed costs (things like your rent or cell phone bill), goal contributions (such as retirement or emergency savings) and non-monthly savings contributions (money to, say, cover holiday gifts or home maintenance). The leftover amount is called your flex-spending number, which you can use on whatever you'd like. And since you know you've already covered your big financial goals, you won't feel guilty spending that money—which means you get to have your marshmallow and eat it too.

This piece originally appeared at LearnVest.com.

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