



▶ How Much are You Paying for Convenience?.....1



▶ The All-Powerful Zero..... 2



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How Much are You Paying for Convenience?

by Coach Rose D. Gases, RFP®

We often choose convenience over money-saving tips as our brains are hard-wired to do easy, fast and hassle-free tasks in exchange of a few pesos.

But is convenience really worth it in the long-term?

One of our duties as financial planners is to help our clients keep track of their fixed and variable expenses. On many occasions we recommend our clients to reduce their variable costs so they can set aside that extra pesos for their future plans. By reducing or completely eliminating some of these expenses, they will notice an improvement in their money management skills.

Marketers are aware of our cognitive bias against having to spend so much time accomplishing tasks and for willingness to outsource such tasks to others. But the cost may not exactly be what we would spend if we were to do it ourselves. Often times, it is more.

For instance, have you noticed the additional costs on your food deliveries? If not, I suggest you compare ordering from your mobile app and in-store. You will see

around a 20 percent increase from the same food you will order in-store. On top of that, there are times when our orders are not delivered correctly. But we cannot blame the delivery rider as they only deliver the food to our doorstep with a seal, let alone the option to call them is not available on many food delivery apps.

According to Alexa Matthews in an article written in FoxBusiness.com, “These apps are so expensive because there are so many parties involved,” she said. “Now, you also have the app who has to get paid and the courier too. There are just so many more transactions involved that really boost those fees.” Those fees, when totaled, can amount to a lot and be deposited in your savings account.

In a business model like the food delivery, the aggregator will have to pass on the cost to their partner stores or to their customers to help offset their operating costs. If they only collect delivery fees, it will not help sustain their operations - especially if their costs of doing business keep increasing.

These companies are aware that customers are price-sensitive. So to mask the added cost, companies just combine their fees

with the cost of food being ordered.

Imagine the resistance the food delivery companies will face if they de-couple their fees from the cost of the orders. In all likelihood, their business will slow especially with the country exiting from the pandemic.

So, the next time you intend to order your food via a delivery app, be mindful of the extra Pesos you will be shelling out. This is the best way to scare you out of shopping with your fingers.

As for my family and I, if the food or grocery chain is close to our home, we will choose the latter to save money.



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Contrary to conventional wisdom, zero is the most powerful number in personal finance. From the point of view of spending, zero can mean no cost, the avoidance of a loss.

Behavioral economists say that many of the reasoning that transpires in our brain has been in existence since man first appeared on the planet. Much of that reasoning was devoted to survival, which when put in another way means the avoidance of losses to life, limb or property.

Even as humans evolved, the early rules on survival remained ingrained in the human psyche, just modified slightly to adapt to modern times.

Take the case of installments on 0% interest. It is difficult to imagine a lending company giving out loans with no interest. A basic tenet in economics is that you sacrifice consumption now only to enjoy a greater level of consumption in the future.

The trick lies in the pricing of the suggested retail price or SRP. In many 0% installment schemes, the SRP already includes the interest, with the SRP then simply being divided by the term of loan. Retailers are actually empowered by the Consumer Act of the Philippines to adapt the 0% installment scheme because the law requires that only one price tag is to be displayed, no separate cash and installment prices. Thus, the interest on the so-called 0% installment scheme can be neatly tucked away in the SRP, hidden in plain sight of the unsuspecting consumer.

The sure-fire way of determining whether there is truly interest or not on a 0% installment scheme is to ask the seller if there is a cash price that is lower than the SRP.

The All-Powerful Zero

If the seller says yes then there is interest. Of course, the seller will not go down without a fight. He will say that the only reason why the cash price is lower is because he is offering a discount for receiving cash up front. He knows that by using the word discount, he will be eliciting a positive reaction from you, again avoiding a loss (i.e. that of interest expense).

But the reasoning above is an admission that the SRP is indeed inclusive of interest. Now, if you have the cash to spare, pay cash. If you do not have the cash, then accept the fact that you will need to pay interest.

On the other hand, saving actually bears a negative connotation simply because the brain interprets it as a reduction in the amount of money that can be spent and enjoyed. And even when savings can have an overall positive impact on finances, especially for the future, the brain treats gains as gains and losses as losses. Saving, to the brain, represents an outright loss.

The better way to save is to do zero-based budgeting where you create a budget from scratch. That way, there is no way of perceiving an outright loss. So, instead of saving a certain percentage of your income, you will try to live off the complimentary percentage of your income, the latter being perceived by the brain as a foregone gain.

So, you see, zero is an all-powerful number in personal finance precisely because it means nothing, especially when zero is used to mean no losses.

Learn to use the number zero to your advantage.

Editor's Note

Efran LI. Cruz, RFP®
Editor-in-Chief

Change in Delivery Mode of e-Newsletter

To our e-Newsletter subscribers,

Effective this issue, we shall be changing the mode of delivery of the newsletter to access to our website.

With the increasing anti-spam firewalls of email clients like Gmail, our repeated emailing of the e-Newsletter is causing our email accounts and even domain name of personalfinance.ph to be tagged as a spammer.

The website link is www.personalfinance.ph/newsletter.html.

Issues will be posted according to the most recent. And the beauty of having this page is that you can always do a back read on the previous issues from the time we launched the newsletter.

At the same time, the page will now be opened to all to view. This will allow more people to benefit from the knowledge **YAMAN Coaches** share.

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