



- ▶ It's All About the Right Pricing.....1
- ▶ Are 10 Years of SSS Membership Good Enough?..... 2



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It's All About the Right Pricing

by Coach Rose D. Gases, RFP®

Price is one of the four key elements of the 4Ps of marketing – the other three being product, place, and promotion.

Pricing tactic is one of those marketing strategies used to tap people's emotions to rely on their heuristics and encourage a hasty decision to spend more than they intend to. This tactic is coined as “psychological pricing” or the practice of stipulating prices lower than a whole number.

Here are five examples of psychological pricing tactics used to nudge you spend:

Visual sale discounting on price tags. Shoppers will not rationally buy something in the absence of something to compare it to. This is also known as “anchor pricing.” If customers do not have in mind an anchor of how much is the worth of a product, they will be hesitant to make a purchase. Hence, if retailers put the original price (higher price) in bold font and the discounted price (lower price) in red font color side-by-side, this will push them to make a decision at once and buy it because the lower price is more appealing. Who doesn't love a bargain?

Installment rather than a lump sum. Jet and Allie decided to subscribe separately to a streaming service. Jet signed up for an annual payment plan and Allie opted on a

monthly payment plan. Both options cost a total of Php11,998 in a year. Between the two, Allie is more likely to stay and renew the service every year than Jet. The rationale is that Jet will feel inclined to recoup his money's worth for the amount he paid early on as he felt the pain of paying on that lump sum amount. On the other hand, the monthly payment plan is more financially manageable than a one-time big-time upfront payment.

Drawing out the comma from the price tag and menu. Research shows that removing the comma will make the price seem smaller. Since a comma creates breaks when we read, this makes the price a little longer or seem “bigger.” By removing the commas from their price, customers will perceive it as a single unit or a lower price.

Ditch the currency symbol. Have you ever noticed most of the restaurants remove the currency sign from the price of their menu items? Apparently, research shows that menu items that include prices without peso signs, get diners to spend more than menus with peso signs. These currency signs will automatically send signals to your brain it is money, wherein seeing these signs will remind you will spend money.

Odd-even pricing or “charm pricing” is when retailers price their goods or services

with odd numbers instead of even numbers. By reducing 1 from an even number, it appears that the price is much smaller. For instance, you see two similar items but from different sellers. In all certainty, you will choose to buy an item with a price of Php19.99 than Php20.00.

Customers perceive it is more attractive to buy goods with a price ending with 1,3,5,7, or 9. Research suggests when it comes to price tags, we read from left to right. Prices ending in number “9” connotes an “affordable price” while prices ending in “0” connotes an “expensive price” yet best of quality product.

According to the Harvard Business Review, consumption is driven not so much by the actual cost of a paid-for product as by its perceived cost.

This pricing manipulation boosts sales and profits to businesses. Marketers believe that the higher the consumption is, the higher the company sales will be. For them, customer retention is vital to their operations for repeat businesses. Without these pricing strategies, their companies will not thrive.



Coach Rose is a Registered Financial Planner with an AB Mass Communication degree cum laude from Adamson University. She may be reached at rose@personalfinance.ph.

Contrary to common belief, retirement does not mean a screeching halt to work. Studies show that the more active a retiree is, the longer he or she will have to live. Moreover, an active retirement translates to a healthier and happier one. And while an ageing body will require a slowdown in physical motion, mental activities can still be maintained and even accelerated.

Studies have also shown that life expectancies are getting longer. For one, the National Statistics Office projected that from just 6.0% of the total population in the year 2000, males and females aged 60 years old and older will amount to 9.2% and 14.8% of the total population by 2020 and 2040, respectively. Longer life expectancies will require more funding.

In upholding his dignity, a retiree will naturally want to still be financially independent. A retiree knows that relying on his children will all the more burden the latter's finances, especially at a time when a family's expenses are at their heaviest. When a parent retires, his children are just about at the life stage of sending their own children to school, buying a house, buying a car, paying off debts and basically just trying to make ends meet.

Financial independence demands a lot of financial planning and action way ahead of retirement age. And because expenses in retirement can amount to a lot, especially with the prospect of higher medical expenses, every little bit of savings will be of use for retirement planning.

The SSS has a new contribution table based on new levels of monthly salary credit, the amount on which pensions are based. Many moons ago, a starting pay of Php1,500 per month was not unheard of. But it was also at the bottom of the rung in terms of equivalent monthly salary credit under the old

Are 10 Years of SSS Membership Good Enough?

contribution table. In NCR, with daily basic pay now at Php537, the equivalent monthly pay of Php11,814 translates to a monthly salary credit of Php12,000.

On the assumption of 38 credited years of service with the SSS, and even assuming that the monthly salary credit stays at Php12,000 all throughout, the monthly pension will be Php10,420. This computation takes into consideration the credited years of service in excess of the 10 years prior to retirement. The common misconception is that only the 10 credited years of service prior to retirement are considered in arriving at the monthly pension.

Now imagine if you were earning at least Php19,750 monthly. That monthly pay translates to a monthly salary credit of Php20,000. With the same assumptions as in the previous paragraph, you will receive a monthly SSS pension of Php16,500. And if you had a spouse with the same SSS contribution specs, your combined retirement pay as a couple will total Php33,000 per month. That is definitely more than just grocery money.

So, work hard to grow your income to at least the level that will hit a high salary credit with the SSS early. And if you happen to be self-employed, contribute voluntarily at the level with the highest monthly salary credit so that you get to enjoy the maximum SSS pension benefits.

Remember that with the high cost of retirement living, every little bit in funding that lifestyle will help.

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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