

New Year, New You, New Nudges

Only around a third of us manage to keep our new year's resolutions¹. As 2022 begins, Joscelyn Miller from London Economics' Behavioural Team reflects on why we are so bad at sticking to plans and how adopting a behavioural approach can help you succeed this year...



The new year perfectly lends itself to goal setting, bringing an opportunity to reflect on a year gone by and start anew. A YouGov survey found that the most new year's resolutions involve exercising more, eating healthier, saving more, picking up a new skill or hobby, or ditching bad habits such as excessive social media use or smoking.² Striving for these good habits is all well and good, but achieving them can prove trickier than expected. This short piece will introduce you to some key behavioural insights underpinning goal-setting and suggest ways to nudge yourself into a better you.

Defining goals needs careful consideration

The 'new year new you' mentality of changing everything at once can be unproductive and demotivating. When faced with too much to think about, we tend to get overwhelmed and make poorer decisions. This is known as **choice or information overload**³. Goal setting is most effective when goals are manageable. 'Less is more' really works: rather than trying to change multiple aspects of your life all at once, look to change just one or two habits.

It is also important when setting goals to build a specific implementation plan. This could involve how your progress will be measured, setting a time limit to achieve the goal, and clearly defining the steps you need to take to achieve them. **Channel factors**⁴ describe the importance of mapping out processes to make them appear easier. Sometimes all it takes is knowing where to start and how to get there to motivate change.



Behavioural biases prevent us from achieving our goals

There are a whole host of **behavioural biases** that make it difficult for us to stick to our goals.

Our inherent optimism distorts our ambitions

Have you ever ordered too much food at a restaurant while hungry? And when the food comes, you can't finish it?

We mentally 'project' our current circumstances, tastes and preferences into the future and tend to be overconfident when doing so. We judge our own ability more highly than it actually is.⁵ Therefore, we often overestimate our ability to reach our goals.

Linked to this is the concept of **hot and cold decision making**⁶. When setting goals, we think cold and analytically: *"I will go to the gym"* or *"I will save £100 each month"*. However, when it is time to follow up on our plans, we are in a hot state. The emotions of everyday life take attention away from our goals and stop us from committing. This intention-behaviour gap, driven by our emotions, causes a disconnect between our intention to do something and actually doing it.⁷

We, therefore, should recognise our optimism and the hot-cold empathy gap when we define goals. Goals should be kept small and manageable so you can see them through to the end.

Our impulsive nature prioritises today over tomorrow

Have you ever thought *"I'll go to the gym tomorrow"* or *"I'll start that new diet tomorrow"*?

We often prioritise our current needs over our future needs, known as **present bias**^{8,9}. We push back tasks we don't want to do (often those good habits we want to ingrain) and prioritise easier or more fun tasks. With such **time inconsistent preferences**¹⁰, we can find ourselves in a procrastination loop. We postpone a task and, when we revisit these tasks later, delay them again.



Our procrastinating nature can make us worse off in the long term. A classic example of present bias is the 'Stanford marshmallow experiment'¹¹. This experiment tested self-control in children and its impact on outcomes in later life. In the experiment, children were given a marshmallow and told that if they wait to eat it until the researcher returned (15 minutes later), they would be given a second one. Apart from making for cute videos (see [here](#)), the experiment found that the children who showed self-control by not eating the first marshmallow went on to have better outcomes later in life.

These findings can be extrapolated to everyday life. Think about how retirement savings now can reap benefits for the future, or how choosing more healthier choices today can prevent complications when we get older.

Ingrained habits become the status quo

Have you ever travelled a familiar route and felt like you were on auto-pilot, not thinking about where you were going?

Once we get drawn into habits, they can become ingrained and automatic. This type of thinking is known as **'System 1 thinking'**. Unlike its sister type (handily named **'System 2 thinking'**) promoting

slower, deliberate thinking, System 1 is prone to errors and can get us into situations and habits we don't want to be in.¹²

System 1 thinking leads us to the easiest, most convenient choice. We can be reluctant to change our behaviour and depart from our **status quo**. These default options can play an important role for our financial habits and well-being, for example. When the default is to not put money away each month, our **inertia** prevents us taking active steps to improve our financial situation.

How to influence your behaviour and change your habits

Behaviours and habits are not fixed and can be influenced through subtle changes known as **nudges**.¹³ Nudges can take many forms but crucially do not change the available options in a choice. Instead, they change the way the offer is presented.

Commit yourself



Ancient Roman art in the Bardo National Museum, [CC BY-SA 2.0](#), via Dennis Jarvis, [Wikimedia Commons](#)

In Greek mythology, Odysseus' tied himself to his ship's mast to survive hearing the sirens' song without jumping overboard. This is an example of a **commitment device**. These are tools and processes that help us control our impulsive behaviour and achieve long-term goals.¹⁴ They can be as simple as writing goals down on a piece of paper, or telling your friends and family about your goals to increase the element of accountability.

For the best chance of success, you should make it easy for your future self. Try out commitment devices which provide structure to your future behaviour such as booking a personal trainer, or (even better!) set up a default so the behaviour occurs automatically. For example, a direct debit for automatic monthly savings. Embedding new habits into your existing routine is another good strategy.¹⁵ If you find it hard to motivate yourself to go to the gym then tag going to the gym with your current habits: go before you do your weekly shop or after work.

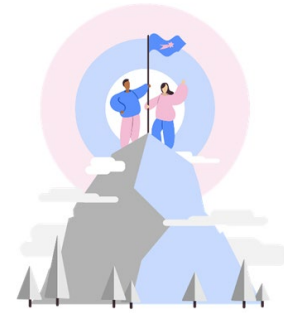
Leverage on what you have to lose to motivate you

We tend to be **loss averse**; we feel losses much more strongly than gains. This is an evolutionary reaction; threats tend to be more urgent than opportunities to increase the chance of survival.

Leveraging loss aversion can be a key strategy to motivate us to reach our goals. Providing a penalty for breaking commitments, e.g. withdrawal charge on a long-term saving account, can be an effective strategy, as we will do anything to avoid losses. Another nudge using loss aversion is framing your goals in terms of what you have to *lose* if you break them. Think about how missed opportunities to save now may mean you'll lose out on an expensive holiday or new car in future.

Make it fun!

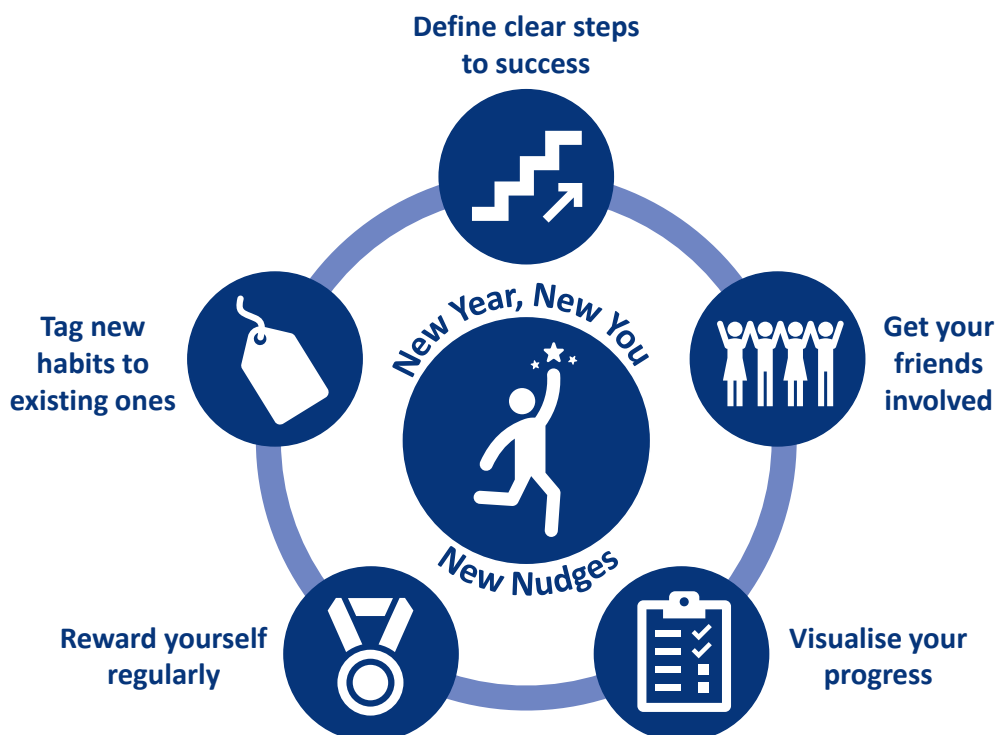
It's also important to make achieving your goals a fun process. We become more engaged, proactive and work harder towards achieving goals when we know how far we have to go (known as the **goal gradient effect**¹⁶). Defining steps towards achieving a goal is important as you can clearly see how much you've done and how close you are to success. Try out ways to make tracking progress visual like putting a marble in a jar each time you hit a milestone.



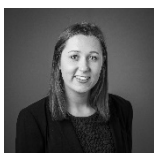
Rewards also incentivise reaching your goals. Treating yourself every now and again when you hit a key milestone is important to keep going. It is a key feature of the Reminder, Response, Reward habit loop developed by Duhigg¹⁷. In addition, **peer effects** are important motivators.¹⁸ It can be beneficial to get your family and friends involved if they share your goals. Linked to **gamification**, promoting some healthy competition with your peers also spurs us on to succeed.

Conclusion

When turning over a new leaf this year, behavioural economics can offer a powerful way to nudge yourself into better habits. By recognising our cognitive limitations and understanding the biases that affect our decision-making, we can strive towards goals in a proactive way with greater chances of success.



Source: London Economics



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