

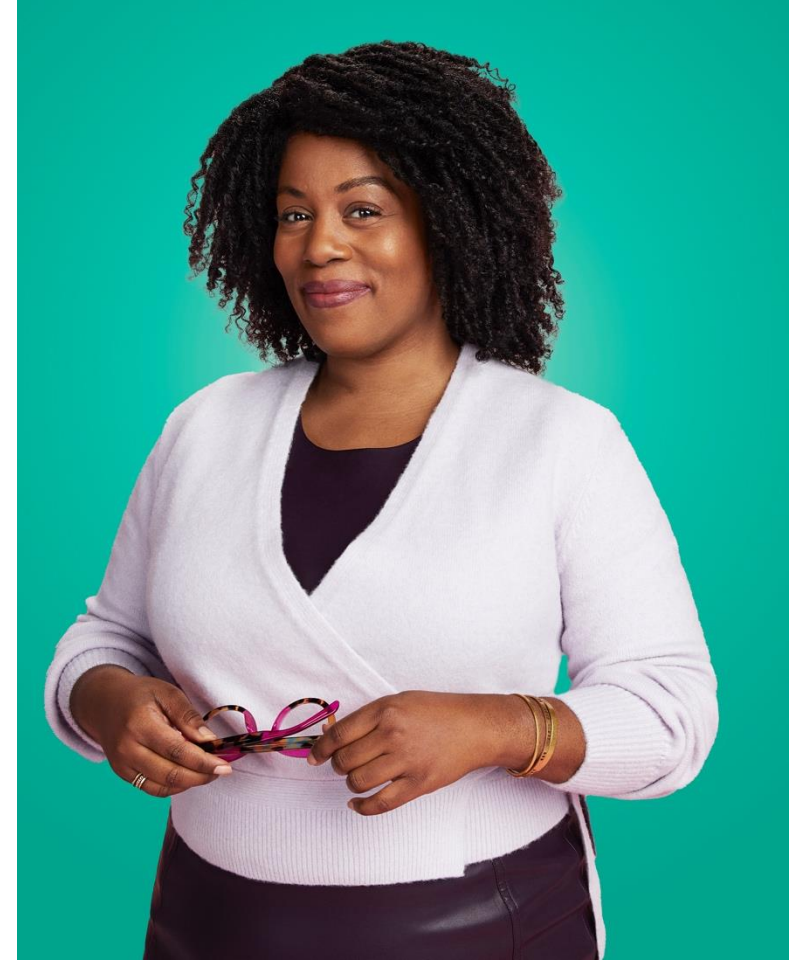


# Money psychology: Beyond the numbers

Stuart A. Smith

Sr. Director/Sr. Relationship Manager, TIAA

Thursday, July 24, 2025



## AGENDA

- 1 Understanding our nature
- 2 Understanding our responses
- 3 Gaining confidence
- 4 Doing what's best for you

“Hard as we may try to be in control of our decisions, we can’t ignore the fact that the actions we take are influenced by the feelings we’re experiencing at any given moment.”

– “Money psychology: Beyond the numbers,” TIAA Financial Essentials webinar

TOPIC 1

# Understanding our nature



# No one is 100% rational.

- Be on a budget
- Control spending
- Save more
- Learn to invest

## Rational me



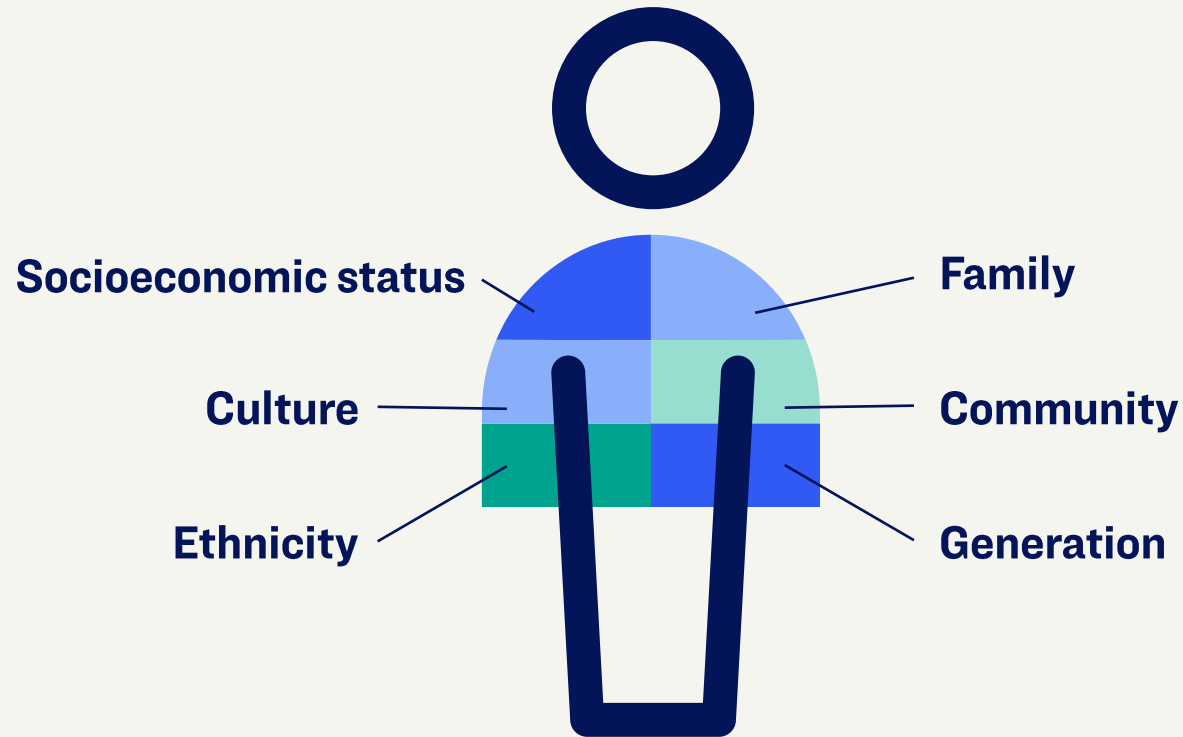
## Actual me



- Eat out too much
- Buy more than I need
- Subscribe to it all

**“I’ll change soon!”**

# We're all shaped by our life experience.



**Life events shape us too...**

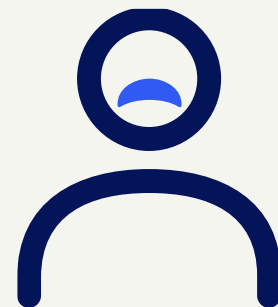
**Job loss**

**Divorce**

**Natural disaster**

**Children**

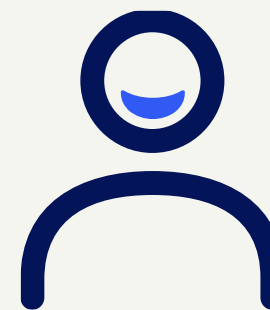
# Fear has a powerful influence on us.



**Tragedy happens quickly.**

**&**

**Progress happens slowly.**



Source for negativity bias: Kendra Cherry, "What Is the Negative Bias?" [verywellmind.com](https://www.verywellmind.com/negative-bias-4589618), Nov. 13, 2023, [verywellmind.com/negative-bias-4589618](https://www.verywellmind.com/negative-bias-4589618).

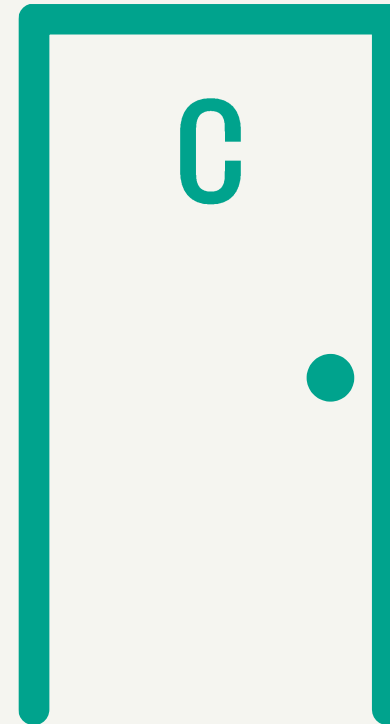
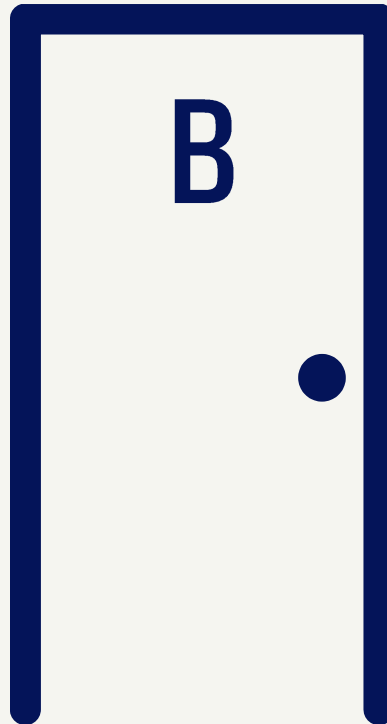
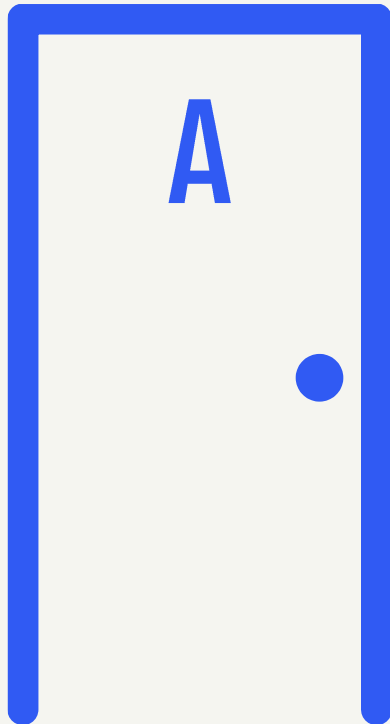
Source for emotional impact of tragedy vs. progress: Morgan Housel, *The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness* (Harriman House, 2020).

Source for flying statistics: Peter Dizikes, "Study: Flying Keeps Getting Safer," *MIT News*, Aug. 7, 2024, [news.mit.edu/2024/study-flying-keeps-getting-safer-0807](https://news.mit.edu/2024/study-flying-keeps-getting-safer-0807).

Source for car deaths: "Odds of Dying," Preventable Deaths, Injury Facts, accessed Apr. 18, 2025, [injuryfacts.nsc.org/all-injuries/preventable-death-overview/odds-of-dying](https://injuryfacts.nsc.org/all-injuries/preventable-death-overview/odds-of-dying).

# Uncertainty can trigger fear.

Which door will you choose?



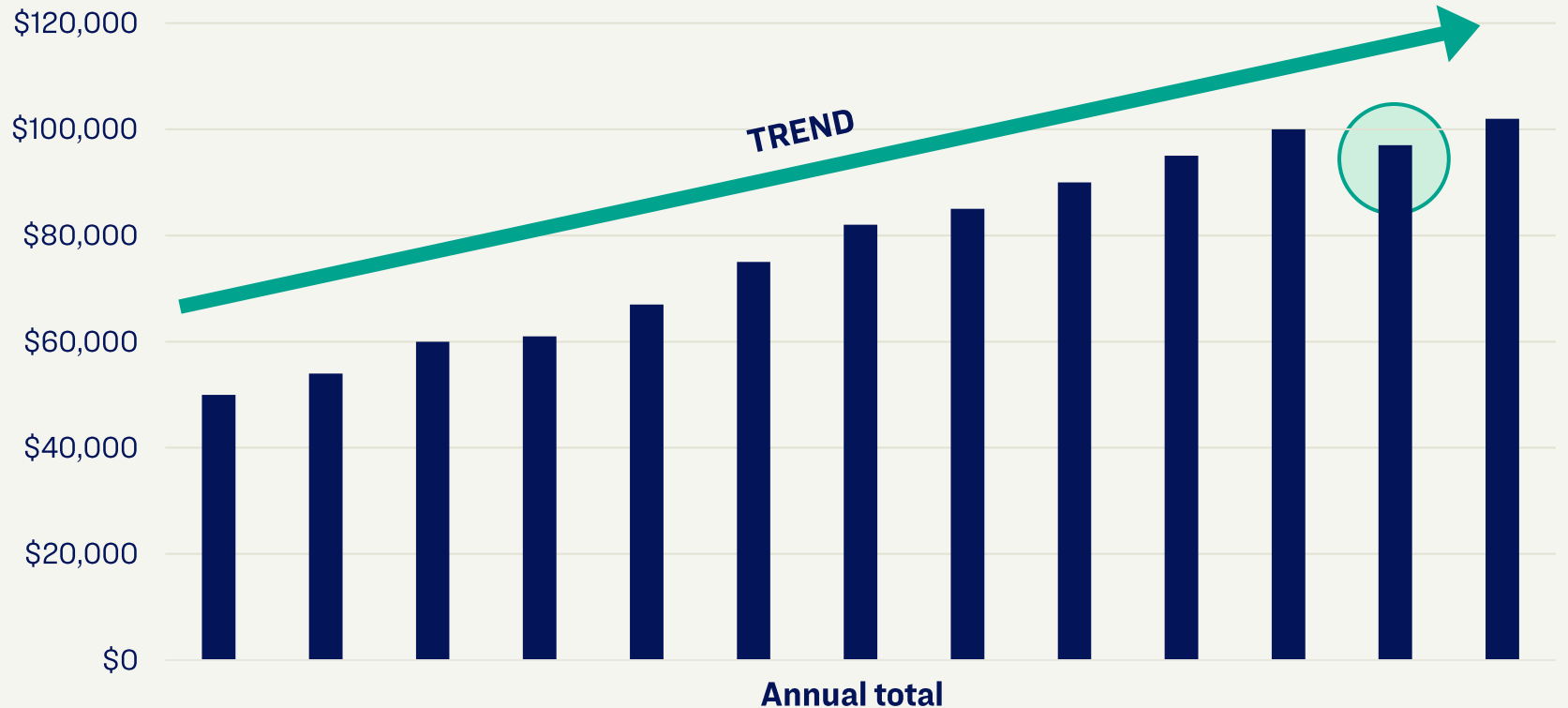
Source for predictive processing: Sean Illing, host, "Why We Fear Uncertainty — And Why We Shouldn't," The Gray Area (podcast), Feb. 7, 2024, [vox.com/the-gray-area/2024/2/17/24046794/gray-area-joys-of-uncertainty-anxiety-maggie-jackson](https://vox.com/the-gray-area/2024/2/17/24046794/gray-area-joys-of-uncertainty-anxiety-maggie-jackson).  
Source for reactions to uncertainty: David Robson, "Why We're So Terrified of the Unknown," BBC, Oct. 26, 2021, [bbc.com/worklife/article/20211022-why-were-so-terrified-of-the-unknown](https://bbc.com/worklife/article/20211022-why-were-so-terrified-of-the-unknown).

# Money is a major source of uncertainty.



Money and the economy are top sources of stress for **82%** of those age 18 to 34<sup>1</sup>

The paradox of loss aversion when investing<sup>2</sup>  
Growth on \$50,000



1. American Psychological Association, "Stress in America 2023: A Nation Recovering From Collective Trauma," press release, November 2023, [apa.org/news/press/releases/stress/2023/collective-trauma-recovery](https://www.apa.org/news/press/releases/stress/2023/collective-trauma-recovery).

2. This hypothetical example is for illustrative purposes only and does not represent the performance of any account or security.

Source for loss aversion: Dan Pilat and Sekoul Krastev, "Loss Aversion," The Decision Lab, 2021, [thedecisionlab.com/biases/loss-aversion](https://www.thedecisionlab.com/biases/loss-aversion).

Source for distress of loss being twice as powerful as equivalent gain: Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision Making Under Risk," technical report, Mar. 1, 1977, [doi.org/10.21236/ada045771](https://doi.org/10.21236/ada045771).

TOPIC 2

# Understanding our responses



1

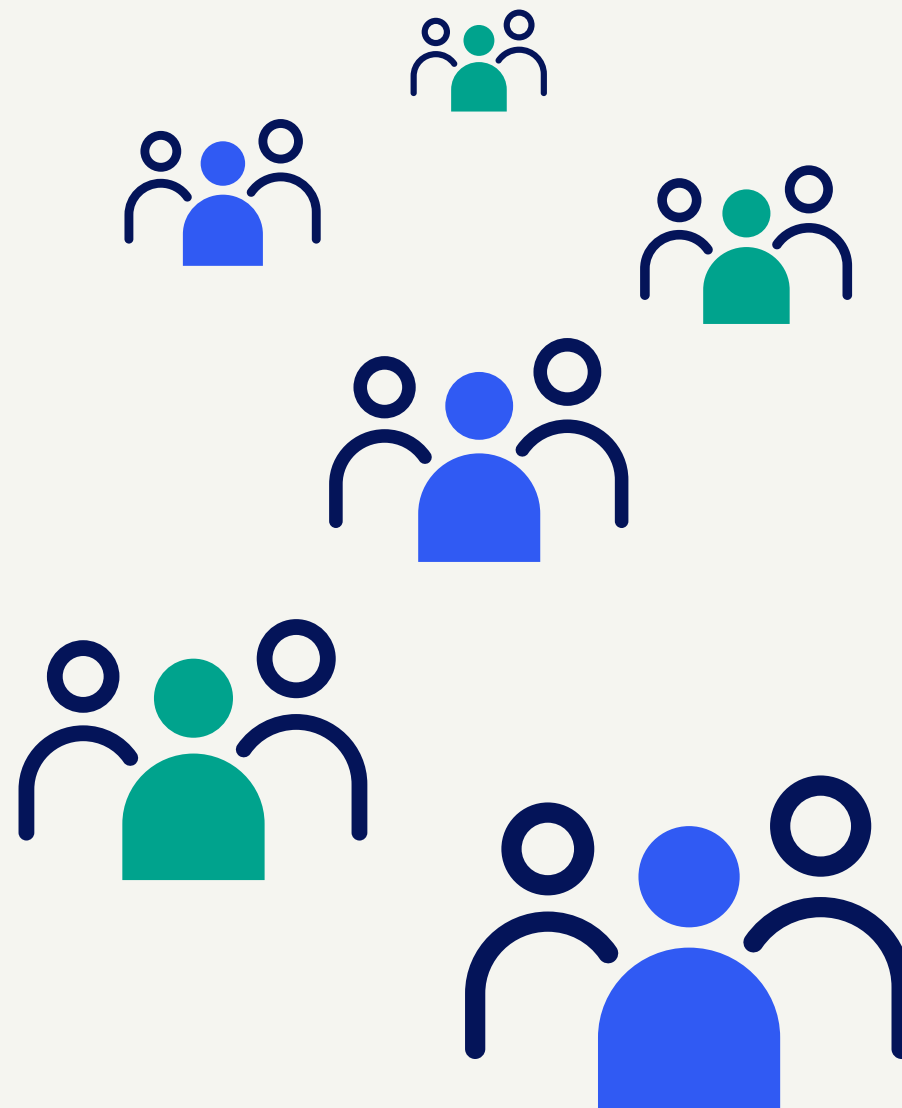
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UNDERSTANDING OUR RESPONSES

3

4

# Following the crowd.



# Buying into “appealing fictions.”

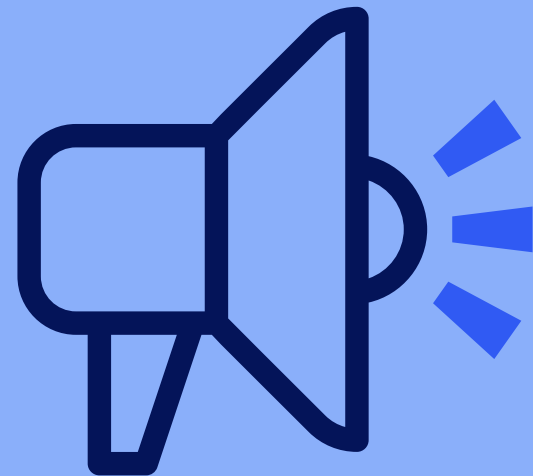


**Seeking out what we want  
to believe while ignoring  
what we don't want to  
believe**

Source for confirmation bias: Bettina J. Casad and J. E. Luebering, “Confirmation Bias,” Science & Tech, Britannica, Mar. 29, 2025, [britannica.com/technology/information-processing/Elements-of-information-processing](https://www.britannica.com/technology/information-processing/Elements-of-information-processing).

Source for appealing fictions: Morgan Housel, *The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness* (Harriman House, 2020).

**Trying to  
control  
everything.**



# Overlooking the role of luck.



# You can do something about it.



**Know your fears may not be as bad as they seem.**



**Learn to tolerate some uncertainty.**



**Accept the inability to control everything.**

Kathleen Doheny, "Why Uncertainty Makes Us So Anxious, and How to Deal With It," WebMD, Mar. 27, 2025, [webmd.com/anxiety-panic/news/20250327/why-uncertainty-makes-us-so-anxious](https://www.webmd.com/anxiety-panic/news/20250327/why-uncertainty-makes-us-so-anxious).

TOPIC 3

# Gaining confidence



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GAINING CONFIDENCE

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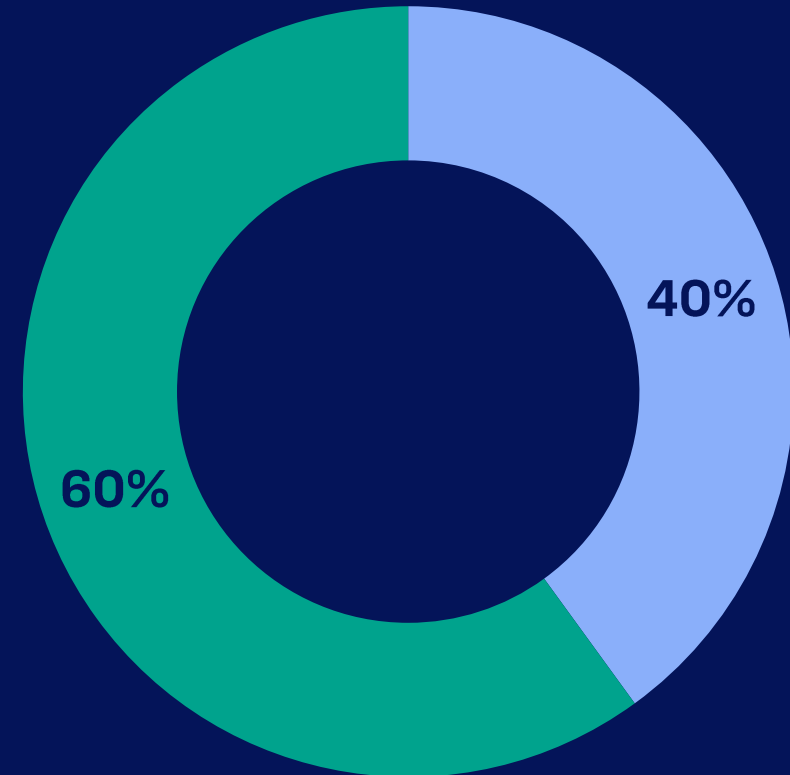
# Saving and investing are nonnegotiable.

- Social Security won't be enough.
- You'll need to save and invest.
- Anyone can do it.

Source for biggest money mistake: Morgan Housel, *The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness* (Harriman House, 2020).

Retirement savings and other

Social Security\*



\*Source: ssa.gov

# History offers perspective.

## S&P 500

Historical average annual return

10% 

Based on historical returns from 1926 to 2024<sup>1</sup>

HISTORICAL S&P 500 PERFORMANCE—GROWTH OF \$1,000 1995-2024<sup>2</sup>

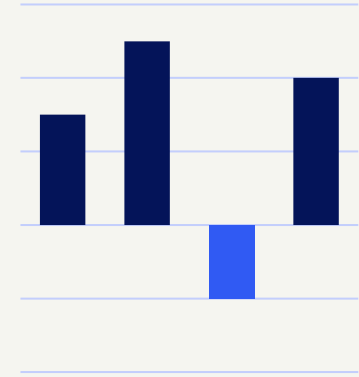


1. Based on historical large cap and S&P 500 data from 1926 to 2024.

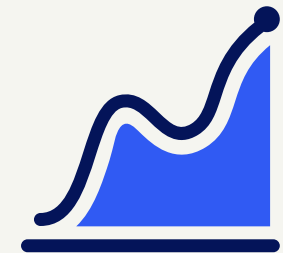
2. Based on historical S&P 500 data from January 1995 to December 2024. Source: Morningstar Direct. You cannot invest directly in any index. Index returns do not reflect a deduction for fees or expenses. **Past performance is no guarantee of future results.** The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

# Investing isn't about certainty. It's about odds.

**1 in 4**  
chance of loss  
in the stock market  
in any given year\*



**59%**  
chance of double-  
digit growth  
in the stock market  
in any given year\*



\*Based on historical large cap and S&P 500 data from 1926 to 2023. Source: Morningstar Direct. You cannot invest directly in any index. Index returns do not reflect a deduction for fees or expenses. **Past performance is no guarantee of future results.** The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

# Losses and setbacks are part of the process.

Initial investment  
 $\$100 \times 50 \text{ stocks} = \$5,000$

	Invested	Value
49 losers	$\$4,900 \rightarrow$	0
1 winner	$\$100 \rightarrow$	$\$65,680$

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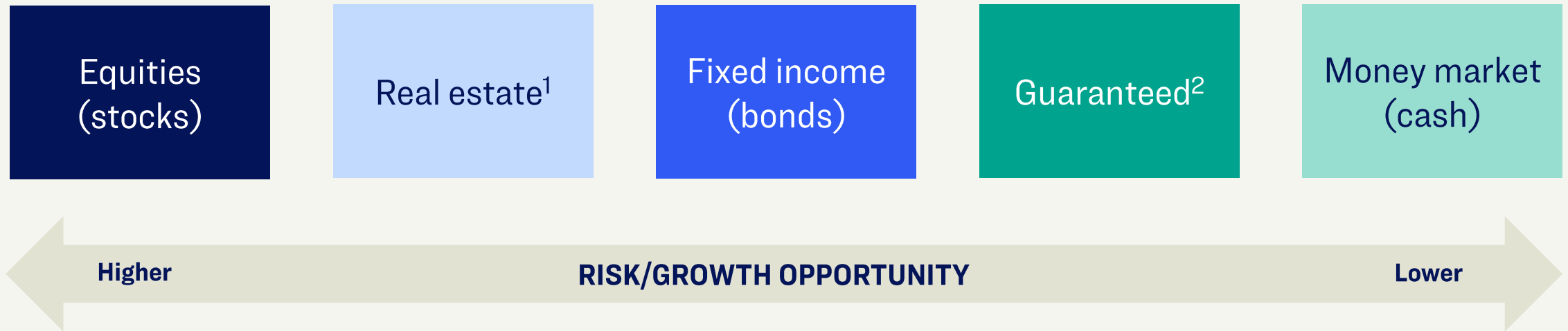
Net gain:  $\$60,680$



This is a hypothetical example of mathematical principles used for illustrative purposes only and is not intended to predict or project investment results. Source for Apple stock returns: "Apple Stock Calculator," Finlo, accessed Apr. 1, 2025, [finlo.io/stock-calculator/AAPL](https://finlo.io/stock-calculator/AAPL).

# Learn to play the odds by spreading out your risk.

Diversification—or spreading your investments across the asset classes—helps you manage risk.



There are inherent risks in investing in securities. Past performance is no guarantee of future results. In addition, investment returns and principal value will fluctuate so your accumulation, when redeemed, may be worth more or less than the original cost.

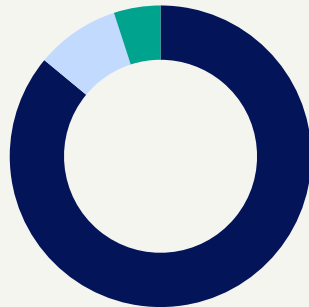
Diversification is a technique to help reduce risk. There is no guarantee that diversification will protect against a loss of income.

1. The real estate industry is subject to various risks including fluctuations in underlying property values, expenses and income, and potential environmental liabilities.

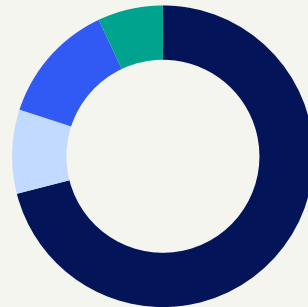
2. Guarantees are based on the claims-paying ability of the issuer.

# Know yourself and your limits.

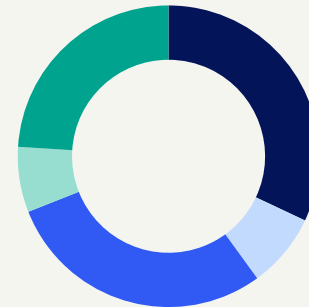
Aggressive



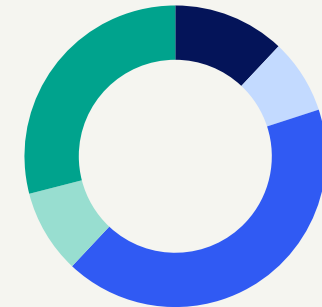
Moderately aggressive



Moderately conservative



Conservative

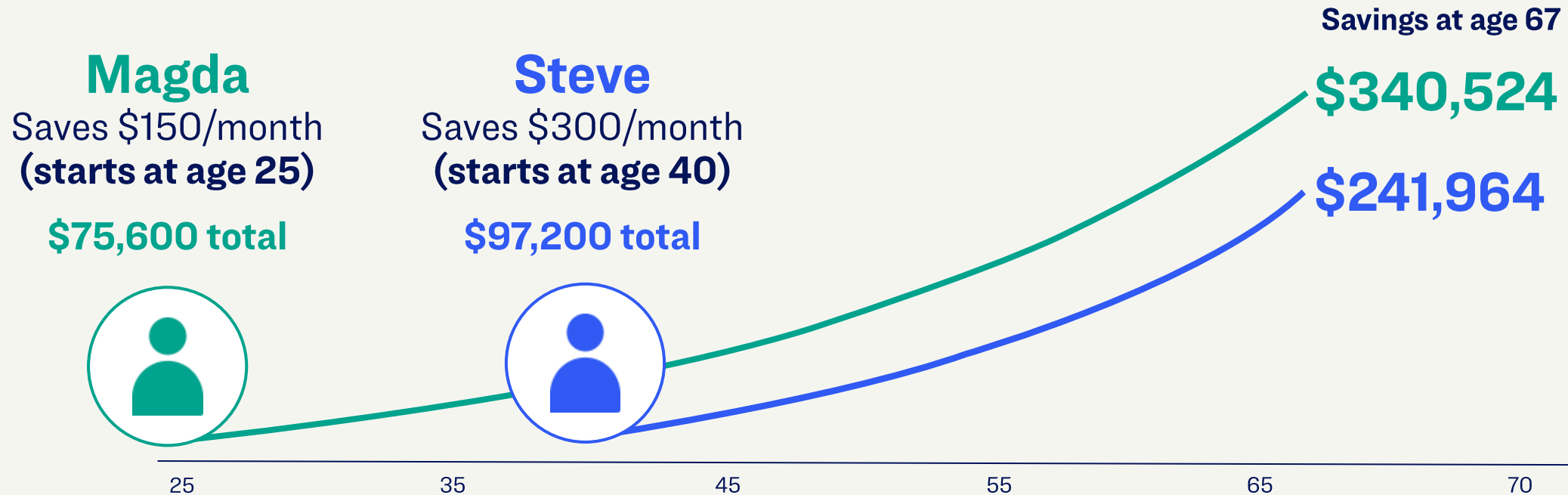


Equities	86%	71%	32%	12%
Real estate	9%	9%	8%	8%
Fixed income	0%	13%	29%	42%
Money market	0%	0%	7%	9%
Guaranteed	5%	7%	24%	29%

All examples are hypothetical and for illustration only.  
 Diversification is a technique to help reduce risk. There is no guarantee that diversification will protect against a loss of income.

# Saving longer can mean more for less.

That's because compounding can do a lot of the saving for you.



The above illustration is intended to show a hypothetical example of the principle of compounding. The example does not include the impact of any investment fees, expenses or taxes that would be associated with an actual investment. If such costs had been taken into account, the results shown would have been different. It also does not factor in market volatility. It assumes a 6% rate of growth, compounded annually, with \$150 and \$300 monthly contributions. Investments that have potential for a 6% annual rate of return likely also come with risk of loss.

Source: "Compound Interest Calculator," U.S. Securities and Exchange Commission, [investor.gov/financial-tools-calculators/calculators/compound-interest-calculator](https://investor.gov/financial-tools-calculators/calculators/compound-interest-calculator).

# Markets adapt.



**1975**  
Only a handful of  
“tech”  
companies

IBM  
Intel  
DEC  
Honeywell

**Today**  
Thousands of  
tech companies

Apple  
Microsoft  
Amazon  
NVIDIA  
Meta  
Google  
Adobe  
Salesforce

AMD  
Qualcomm  
Cisco Systems  
Netflix  
PayPal  
Zoom  
Airbnb  
Shopify

...and countless others

Source for 30% stat: John P. Navin, “Top 25 Stocks in the S&P 500 by Index Weight for April 2025,” Investopedia, Apr. 1, 2025, [investopedia.com/the-best-25-sp500-stocks-8778635](https://www.investopedia.com/the-best-25-sp500-stocks-8778635).

# You can adapt too.

- See the big picture.
- Focus on what you *can* control.
- Stick by your saving habits.



TOPIC 4

# Doing what's best for you



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DOING WHAT'S BEST FOR YOU

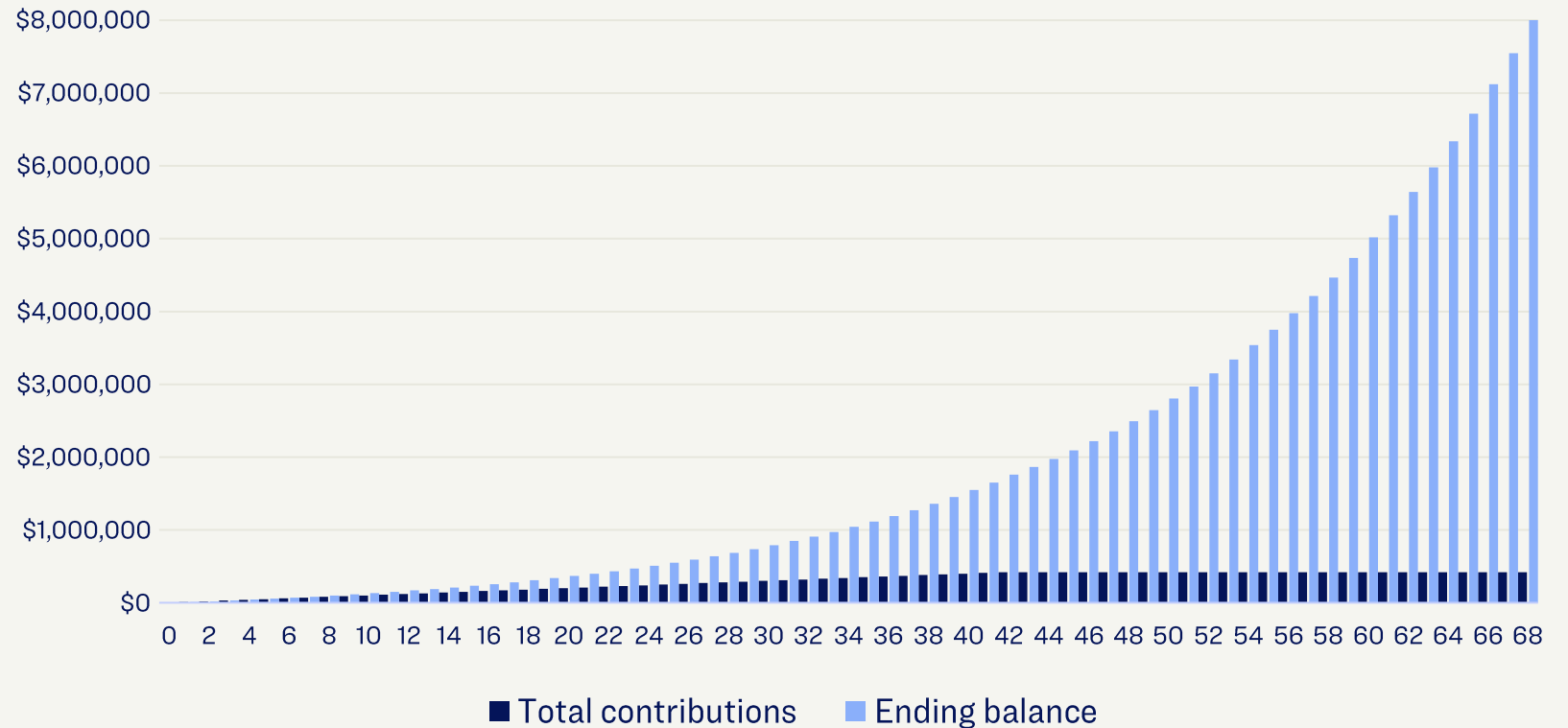
# Know what's "enough."

## THE STORY OF Ronald James Read

Gas station attendant  
& part-time janitor



### EXAMPLE: GETTING TO \$8 MILLION IN 68 YEARS



The above illustration is intended to show a hypothetical example of the principle of compounding. The example does not include the impact of any investment fees, expenses or taxes that would be associated with an actual investment. If such costs had been taken into account, the results shown would have been different. It also does not factor in market volatility. It assumes monthly contributions of \$833 for 42 years and a 6% annual rate of growth, compounded annually. Investments that have potential for a 6% annual rate of return likely also come with risk of loss. Source: "Compound Interest Calculator," U.S. Securities and Exchange Commission, [investor.gov/financial-tools-calculators/calculators/compound-interest-calculator](https://investor.gov/financial-tools-calculators/calculators/compound-interest-calculator). Source for Ronald James Read story: "Secrets of the Janitor Who Became a Millionaire," The Finance Teacher (blog), accessed Apr. 22, 2025, [thefinanceteacher.com/the-story-of-the-janitor-that-became-a-millionaire](https://www.thefinanceteacher.com/the-story-of-the-janitor-that-became-a-millionaire).

# Be aware of lifestyle creep.



The more you spend in the present, the less you may have in the long run.

**Financial  
freedom is  
the bigger  
reward.**



1

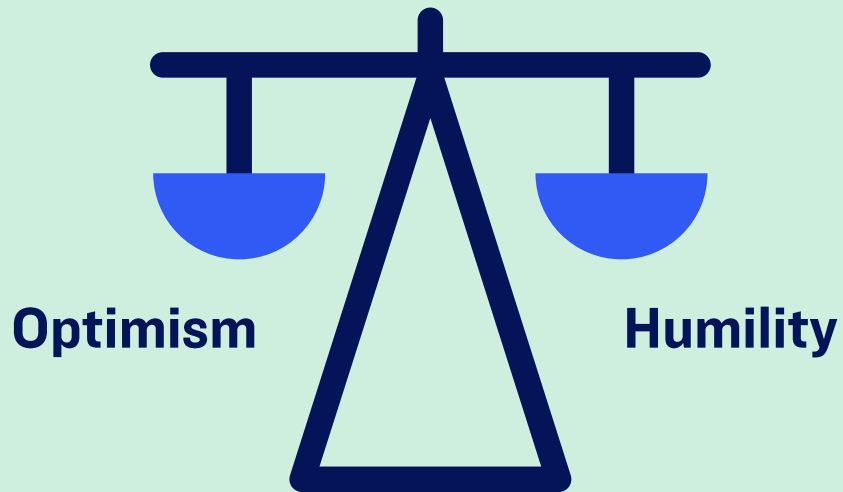
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DOING WHAT'S BEST FOR YOU

# You can do it step by step.



Source for balance between optimism and humility: Morgan Housel, *The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness* (Harriman House, 2020).



Save any amount



Spread out your risk



Give it time



Focus on the long odds

1

2

3

4

DOING WHAT'S BEST FOR YOU

# You're not alone. Get the help you need.

Solutions are available to make saving easier.



**Automatic  
deductions**



**Auto  
increases**



**Help with  
investing options**

# Talk to a professional.



Schedule a meeting  
at [ttaa.org/schedulenow](https://ttaa.org/schedulenow).



Or try online tools at [ttaa.org/tools](https://ttaa.org/tools).

# Thank you.

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