



 Preview

The Psychology of Money

Timeless Lessons on Wealth, Greed, and
Happiness

BY **Morgan Housel**

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The Psychology of Money: A Behavioral and Coaching Perspective in Toronto

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Money is not a neutral tool. It is one of the most emotionally loaded stimuli in modern life,

influencing how people make decisions, regulate emotions, build relationships, and define success. In *The Psychology of Money*, Morgan Housel argues that financial outcomes are driven less by intelligence and more by behavior. From the lens of applied behavior analysis (ABA) and psychological coaching, this insight is not only accurate—it is foundational. Financial behavior, like all human behavior, is shaped by learning history, reinforcement patterns, environmental pressures, and emotional regulation skills.

Working as a coach and behavior analyst in Toronto, I witness daily how money-related stress impacts mental health, family systems, and self-esteem. In a city defined by high living costs, intense social comparison, immigration transitions, and economic uncertainty, financial behavior becomes a psychological survival strategy rather than a purely rational process.

Money as Learned Behavior

From a behavioral science perspective, money behaviors are learned responses shaped over time. Individuals are not born knowing how to save, spend, or invest—they acquire these behaviors through observation, reinforcement, punishment, and modeling. Family culture, socioeconomic status, immigration experiences, and early exposure to scarcity or abundance all shape how individuals respond to money later in life.

Housel emphasizes that people approach money based on their personal experiences rather than universal rules. This aligns with ABA's principle that behavior must be understood in context. For example:

- A person who grew up with financial instability may prioritize saving excessively to reduce anxiety.
- Another individual may engage in impulsive spending because money was historically paired with relief, pleasure, or social acceptance.
- Newcomers to Toronto may avoid long-term planning because their previous environments taught them that the future was unpredictable.

As a coach, my role is not to judge these behaviors, but to analyze their function. Every financial behavior serves a purpose—whether it is reducing fear, gaining control, or avoiding discomfort. Sustainable change begins only when this function is understood.

The Toronto Context: Environment Matters

Toronto is not just a backdrop—it is an active behavioral environment. High housing prices, competitive job markets, rising food costs, and constant exposure to social media lifestyles create continuous financial pressure. The city reinforces comparison, urgency, and the belief that one must constantly “catch up.”

Housel's discussion of comparison is particularly relevant here. In behavioral terms, comparison acts as a powerful social reinforcer. Individuals measure their success not by

personal stability or values, but by what others appear to have. This leads to chronic dissatisfaction, even among financially stable individuals.

In my coaching practice, I often see clients who are functioning well objectively—paying bills, maintaining employment, supporting their families—yet experience significant shame and anxiety because they have not met socially constructed milestones such as home ownership or luxury lifestyles. Coaching in Toronto therefore requires reframing success in functional terms:

- Is your financial behavior reducing stress or increasing it?
- Does your money support your values, relationships, and mental health?
- Are your goals chosen intentionally, or inherited from societal pressure?

This shift from external validation to internal values is a critical psychological intervention.

Behavior Over Knowledge

One of the most important messages in *The Psychology of Money* is that knowing what to do does not guarantee doing it. This mirrors decades of behavioral research. People often know they should budget, save, or plan—yet fail to do so consistently.

From an ABA standpoint, this is explained by:

- Delayed reinforcement (saving does not feel rewarding immediately)
- Immediate punishment (budgeting can trigger discomfort or anxiety)
- Weak environmental supports (lack of systems, automation, or accountability)

Effective coaching focuses on designing environments that make adaptive financial behaviors easier. This includes:

- Automating savings to reduce reliance on willpower
- Breaking goals into small, achievable steps
- Reinforcing consistency rather than perfection
- Normalizing “boring” financial stability over high-risk behavior

In Toronto, where financial stress is often chronic, reducing cognitive and emotional load is essential.

Compounding as a Behavioral Principle

Housel highlights compounding as the most powerful force in finance. Behaviorally, compounding reflects the impact of small, repeated actions over time. This principle is central to habit formation and skill acquisition.

In coaching, I apply this by teaching clients that:

- Small financial behaviors repeated consistently matter more than dramatic changes
- Stability is often more valuable than rapid growth
- Progress should be measured over years, not months

For individuals rebuilding their lives—new immigrants, caregivers, individuals recovering from burnout or trauma—compounding safety, routine, and predictability is often the most therapeutic approach.

Trauma, Emotion, and Money

Money is deeply connected to emotional regulation. Housel notes that people do not make financial decisions in a vacuum—they respond emotionally to risk, loss, and uncertainty. From a psychological perspective, this means financial behavior is often trauma-informed.

Clients may:

- Avoid bank statements because they trigger shame
- Overspend to self-soothe emotional distress
- Resist planning due to fear of future failure
- Control money rigidly to manage anxiety

As a behavior analyst and coach, I view these patterns not as flaws, but as learned coping mechanisms. Coaching focuses on building emotional tolerance, self-compassion, and alternative regulation strategies alongside financial skills.

Independence, Control, and Coaching

Housel defines wealth not as excess, but as control over time and choices. This definition aligns closely with psychological well-being. True financial health allows individuals to say no, rest, change direction, and prioritize their values.

In Toronto, coaching for financial empowerment may include:

- Helping clients choose peace over social status
- Supporting flexible work arrangements over higher income
- Teaching financial literacy to teenagers and newcomers
- Breaking intergenerational patterns of scarcity or avoidance

As a coach, I see financial education as a mental health intervention. When individuals gain control over their money behaviors, they gain control over their stress, relationships, and future planning.

Conclusion

The Psychology of Money reminds us that money is not a test of intelligence or worth—it is a reflection of human behavior shaped by environment, history, and emotion. Through the lens of applied behavior analysis and coaching, especially in a complex city like Toronto, financial well-being must be approached with compassion, structure, and realism.

My work as a coach is to help individuals understand their financial behaviors, redesign their environments, and build systems that support long-term stability and dignity. When money becomes a tool aligned with values rather than fear or comparison, individuals experience not only financial growth, but psychological freedom.
