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## Know thyself, know thy finances: which of the 5 money personalities are you?

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### Languages

Bahasa Indonesia

English

When it comes to money, are you a big spender or a fearful saver? Do you give away all your money or ignore financial demands until they become urgent?

After decades of focus on financial literacy, it has become clear there is more to how we manage our money than access to information. Now new research has identified five distinct money personalities that drive how we spend.

Commissioned by Te Ara Ahunga Ora (Retirement Commission) for their free, independent personal finance site Sorted, our study included an extensive review of the research on personality traits, values and attitudes. We then created an online survey, completed by nearly 500 New Zealanders, exploring how people engaged with their money.

The research findings form the backbone of a new online money personality quiz designed to help people understand their money personality and inform their financial decisions and behaviour.

With New Zealand officially in a recession, it has never been more important to understand money management. Despite our best intentions, we often struggle to make “good” financial decisions consistently – including saving enough, using debt wisely, and staying on top of insurance policies and KiwiSaver.

## **Doing better with our money**

According to Te Ara Ahunga Ora, New Zealanders are good with the basics of financial capability – budgeting and keeping track of money. But we score lower than comparable countries like Canada, Norway, Australia and Ireland on more advanced financial capabilities like long-term savings. We also lack confidence when it comes to our cash.

There is a growing body of evidence that personality traits, money values and attitudes each play a crucial part in either aiding or hindering us making those “smart” financial decisions.

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Attitudes towards saving, the degree to which we value material possessions, and how comfortable we are with risk, will all affect the financial decisions we make – and, as a result, our financial wellbeing.

## **The 5 money personalities**

We identified five distinct money personalities, each with their own strengths and weaknesses: the enterpriser, socialite, minimalist, contemporary and realist.

**An enterpriser** is a financially confident, future-orientated planner who enjoys looking after their finances and is proud of being money savvy. Their strengths include self-control, financial knowledge and making their money work for them.

An enterpriser is unlikely to make impulsive or emotional purchases. However, their aspirational approach – viewing money as a priority and a symbol of success – may pair badly with materialism, causing them to spend money to gain status rather than for value or utility. Enterprisers benefit from learning about investing and planning for the future.

**The minimalist** is frugal, confident with their saving ability, and on top of their financial situation. Minimalists value a simpler life, scoring low on materialism and are not prone to impulsive or emotional purchases.

Their weakness is not always making their money work as hard for them as it could, as they are less likely to take financial risks – even where there is a potential for higher investment returns. Low-cost, passive investment strategies may appeal to minimalists.

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New research has identified five distinct money personalities that can help explain how different people manage their money. Jordi Salas/Getty Images

**A socialite** is a joyful risk taker, outgoing, and confident with their money handling. A generous extrovert, they are more likely to be materialistic than other personality types and tend to live for today rather than plan for tomorrow.

Their high tolerance for risk suggests some socialites may take on unwise levels of financial risk. Those in this group who are also impulsive or prone to emotional purchases may find themselves overspending or vulnerable to over-extending themselves with consumer debt.

Socialites may like to explore active investment strategies and riskier investment classes, however. Taking calculated risks and building financial resilience is an important focus for them.

**A contemporary** doesn't enjoy managing their money and they lack confidence when it comes to financial matters. They are likely to say they're a spender despite being less materialistic than others; living for today, they tend to engage in impulsive emotional spending and are generous to a fault.

For contemporaries, the focus is increasing financial resilience by paying down debt and building an emergency savings fund, enabling them to share their wealth with others without affecting their own financial well-being. Working on their money mindset and general financial knowledge may allow them to build confidence and savings, then take a passive or "set and forget" approach to their financial life.

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**A realist** is future-focused, very conservative with risk, and values money highly. But they are not confident with their money handling, despite paying close attention to their financial situation.

The most introverted personality type, a more aspirational realist may be materialistic but is unlikely to make impulsive or emotional purchases a habit. This suggests building confidence and encouragement to take appropriate investment risks is important. Given they do not like making money decisions, automation of bill payments and savings may appeal.

## **Know thy money self**

Each money personality offers different challenges when it comes to making financial decisions.

Taking Sorted's money personality quiz is fun, but it's also a useful financial decision you can make right now.

It's not just about the label. Knowing your money personality can help you understand your strengths and weaknesses when it comes to financial decision making, giving you tools to improve your financial resiliency and security.