

#50: Overcoming the Sunk Cost Fallacy



Full Episode Transcript

With Your Host

Debbie Sassen

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You're listening to the *Mastering Money in Midlife* podcast with Debbie Sassen Episode 50.

Welcome to *Mastering Money in Midlife*, a podcast for midlife women in business to overcome financial anxiety and make more money without burning out or sacrificing their families. Join Certified Life and Money Coach Debbie Sassen, as she shares practical business strategies and mindset shifts that help you dissolve the money blocks that keep you stuck in a cycle of under earning and under saving, sabotage the growth of your business and prevent you from building the wealth that you desire.

Hello, my friends and welcome back to the podcast. We are at Episode 50, which blows my mind. This is proof that when you do something over and over and over again, you can achieve tremendous results. I remember, it was about a year and a half ago when I thought about launching my podcast, and I was wishy-washy, maybe yes, maybe no. But here we are, 50 episodes in.

That means that I have been recording this podcast, serving you, helping you with your money, and your money mindset, for nearly one year. We are halfway to 100 and I really believe in my bones, that this is only the beginning.

In fact, I don't think I've ever extended an invitation like this to my listeners, but if there is something specific that you want to hear about money, learn about money, about business, marketing, selling, please, please, please send me an email. I really want to hear what my listeners have to say, and I'm here to serve you. Be in touch with me, reach out, Debbie at DebbieSassen.com. I will share on upcoming episodes, what it is that you are here to learn about.

I have some exciting announcements for you. Today, it's Tuesday. Y'all know that I record my podcast on a Tuesday. It is not Tuesday morning. It is Tuesday evening, when I'm recording this podcast. Have I slipped back into my old bad ways? That's only tongue-in-cheek, it's not really bad. But

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no, here's the thing. I'm just now back from a week and half of holidays with my family.

And also, during that week and a half, my daughter gave birth to a healthy baby boy. That was Sunday morning. We're talking two and a half days ago. It was 4:30 in the morning, and I was with her in the hospital. She had a beautiful waterbirth. I am just over the moon, just like, really beaming, that we now have 14 grandchildren. It is such a beautiful blessing that we have been granted by the Almighty.

I'm so happy that I can share that with you. And, guess what? I am tired. It's been an exhausting three weeks, through all of the Jewish holidays, and the birth, and the family, and the meals, and the post-holiday clean up and laundry, et cetera, et cetera. Y'all know what I mean? Right?

I mean, holidays are beautiful and exhausting at the same time. And, that's why I just needed to catch my breath a little bit. Take care of myself all day today. And, I'm recording this podcast at night. I'm going to tell you one more thing about what's happening, specifically tonight, because that is going to lead into the topic for today's podcast.

Which, by the way, I switched like two times, before I finally landed on the topic for today. Before we go there, my next big announcement is Money School is coming your way. This is my free four-day training that is going to take place from October 31st until November 3rd. It is free.

You're going to want to participate in Money School, because we are going to take a look at your money mindset and how you interact with money. We are going to uncover the negative beliefs, and the limiting beliefs, that you have about money. We are going to do some major clearing, in real time, that has to do with your money.

And, we're also going to get very practical about your money and planning for profit in your business. You want to be there. Of course, if you can't join us live, sign up anyway, you will get the recordings. The last time I did a live four-day training, over 200 people participated in that training. And, I'm

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telling you guys, I could sell this training for like, \$1,000 or more. So be there, it's free.

There is always great information for you to learn and apply in your life and in your business. Go to my website right now. Hit pause on the record and sign up; DebbieSassen.com/moneyschool. Sign up. I will see you at the end of October.

Now, the last thing that I wanted to share with you, is that my husband and I had tickets to go to a concert tonight. In fact, if I wasn't recording this podcast right now, we wouldn't be sitting in a concert hall, listening to some beautiful, lovely symphony. We were both so tired and exhausted from all of the holidays, and the childbirth, and everything, that we, together, agreed that we were not going to go.

But I have to say that we hesitated for a little bit. And we were like, in collusion a little bit with each other, should we go, should we not go, neither one of us was fired up about going. And then, I finally called my husband and said, "Hey," he was at work.

I finally called my husband up at work, and I said to him, "Hey, listen, we've already spent the money on the tickets. Now, we're going to drive to Tel Aviv, from our home it will be about 45 minutes, an hour. We've got to park the car, pay for parking."

"We're going to sit there in the concert hall. Then, we're going to drive home, and we're going to be exhausted by the time we come home. We're not going to get to sleep before about 11:30 or midnight. The money is already gone. We don't need to pay more, in terms of time, that we will never get back. And in terms of our energy, that we will also be drained once again tomorrow."

So, we decided, between us, that we are staying home, and we're not going. My husband did have a little bit of a thought about that, like; oh, we've spent the money. But I was like; nope, the money is gone. And then, I told my son. I said, "Yeah, we're not going to the concert tonight." And he

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said the same thing, “But you've already spent the money.” And I'm like, “Yes, but we spent the money, the money is gone. We don't need to follow spending money with spending our time on something that is going to leave us more drained, and is going to suck away our energy reserves for the future.”

And that is when I decided that we need to talk about the sunk cost fallacy. Because this is something that affects and impacts business owners. Business owners invest money in their businesses; It could be a website, a logo, a coaching program that you invested in.

Maybe you wanted to learn how to be a copywriter, and you bought a copywriting program so that you could learn how to write better. Or, you invested in a microphone because you wanted to create a podcast, but you never actually got around to doing the thing.

And, you keep beating yourself over the head, because of the money that you spent. You're feeling like really drained in your body, and you're telling yourself; I'm going to get to it. I'm going to do it. I can't waste the money. I invested the money. I spent the money. It would be such a waste to just throw it out and not do the thing.

And we make ourselves feel guilty by telling ourselves these stories, and creating this narrative around the money that is already gone. And even that place of being in indecision about whether we want to utilize what we have already spent money on or whether we want to trash it, give it away and just move on, is something that takes up valuable brain space.

It's like those thoughts, about what you should do and being in indecision, are like, I like to say, taking up squatters' rights in your brain. They're actually, you know, you can rent out that space. You could utilize your brain's resources for much more powerful things in your business, if you would just decide to cut the cord, write off the losses. Whether that's a real loss that you would write off with your accountant, or whether it's a figurative loss, because you're just not going to do the thing.

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Release yourself from the bondage and move on. We do this in both our business life and in our personal life. It's like if you spent money on some clothing that you maybe wore once, it never fit very well, you wanted to wear it to a party.

I once did this. I was invited to a wedding, a fancy wedding, so I thought, and I felt like I didn't really have the right thing to wear. I wasn't gonna fit in with the crowd, with my more low-key casual clothes. So, I went to a fancy store and I bought a top. I took it to a seamstress and had it altered exactly to fit me. I never loved this top, but I wore it. Then, it sat in my closet for probably two years before I finally released it.

I gave it away to the thrift shop, because I knew in my bones that I was never going to wear this top again. I never loved it. I just thought that I needed it. I was misguided in my thinking. But I thought that I needed this top, in order to fit in with the crowd that was going to be at the wedding.

We also do this with food. Let's say we go to a restaurant, and you order a meal, and you can't finish it. Either you're just full, or you didn't like it; it wasn't exactly what you were thinking about. But you force yourself to eat and eat and eat until your stomach is just like popping out. And you even know in your head, that you're going to feel really bloated, and gross, and maybe have some indigestion tomorrow.

Or, maybe you're going to go to the pharmacy and get some Tums™ on the way home. But it's like; I've paid so much for this meal, so I have to finish everything on my plate. And maybe you even have that voice in your head, from when you were growing up, you have to finish everything on your plate. Otherwise, you don't get to eat dessert.

Maybe you'll even take home your leftovers in a doggie bag. That might be a great thing to do if it's food that you loved, and it's going to last overnight. I mean, can you imagine like, sometimes salads with tomatoes, they're just like gross the next day after leaving them in the refrigerator. And if it's

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something that's like kind of greasy, like french fries or something like that, like it never reheats properly.

But you've got this voice in your head telling you that it would be a waste of money if you would just leave it at the restaurant. You know that they're just going to like swish it into the dustbin. That's a waste of money. So, you ask them to put it into doggie bag, you take it home. It's gonna get pushed into the back of your refrigerator, where it's going to stay for two weeks until you finally decide that it's probably spoiled, and you're going to dispose of it.

And, we do the same things at work. We invest in our businesses, and I've done this twice, but I was actually smart, and I cut my losses very quickly. Twice, I turned to graphic artists, who came highly recommended, to create logos for my business.

And both times, I hated the logos that they designed for me. We could have gone through more and more and more iterations, until maybe they would have landed on the exact thing that I was looking at. But instead, I decided to cut my losses. Each time, I paid the graphic designer, you know, what her quote was, what her fee was.

Then, I turned to [hatchwise.com](https://www.hatchwise.com); you can look for them. And there, you can actually have a tender. You can have many different graphic designers who are going to give you their ideas for the logo that you are looking for, or other creative projects that you were looking for. And by the way, this is not an affiliate link.

So, if you want to create something for your business, go to [hatchwise.com](https://www.hatchwise.com), or another, I think, [99designs](https://www.99designs.com). There are other services out there on the internet, where you can get something created for you that's going to match your tastes. Because maybe, like me, you don't really know how to describe, exactly, to the graphic designer what you're looking for. But when you see it, it's just going to be like love at first sight. And, you are going to know that that is the logo that you are supposed to have.

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So, thankfully, both times the logos didn't work for me, I just quickly dismissed them, paid off the money and went on to the next thing. But whether it's a website, or a logo, or maybe you hired a copywriter, and she's just not getting your voice.

She's writing blogs for you and they're not working for you. But you decide that since you invested and you have this project, and maybe you booked a copywriter to work with you for five or 10 or a certain number of blogs, you're just going to keep going with it.

I'm telling you, that it is more draining on your energy to keep doing the thing that's not working for you, than just deciding that you're going to stop doing it, and you're going to move on. But we get into these like, psychological discussions in our brains, because we are emotionally connected to our money.

We have an aversion to losing money. And so, we feel like we just need to stick it out, and maybe figure out how we're going to make it work. But money loves speed. Money loves when you just make a quick decision, which you know, in your gut, to be the right decision. You cut your losses and you move on.

I think that Seth Godin says it best. He says, "Ignore sunk costs." When you're making a choice between two options, only consider what's going to happen in the future, not which investments you've made in the past. The past investments are over, lost, gone forever; they are irrelevant to the future.

Really look at your business. Look at the money you've spent. And also, look around your house and look at the money you've spent. You might have things just cluttering up your closets, cluttering up your attic, cluttering up your garage, because you've spent the money. And you're telling yourself these stories that may be some time, in the future, you're going to need it.

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I guarantee you, that in the future you'll be able to replace that 30-year-old thing that's hanging out in your garage, with something that's newer, and shinier. You're going to be so much happier. And you're going to have the 25 bucks it's going to cost you, to go down to the Home Depot and to buy yourself the new thing.

But when it comes to your business, again, ignore sunk costs. Don't let yourself get sucked in to this psychological warfare of trying to convince yourself that you should stay with it. The super successful businesses, and I'm including Amazon®, Apple®, Microsoft®, Coke®... Like, do you remember New Coke™? That was the biggest disaster, financial flop, that Coke released to the marketplace; it never went. And then, Coke went back to Coke Classic™.

But all of the huge successful companies have invested in new products and new services. And, they've flopped. You know what? They learned to cut their losses, and look forward. The past is gone, as Seth Godin says, it's gone forever. The money that you invested is irrelevant to the future profitability of your company.

If you have spent money on a product or a service that didn't work for you, of course, you can learn from your investment, from the spending, how you made the decision. Maybe there was something that worked. Certainly, with all of the technology companies, they learned through the development of the products that didn't work. And, maybe there was something else that came out in the future.

Again, whether it was Apple or Amazon or Microsoft, there were all new developments that came about after they had their failed products. But you don't have to keep throwing good money after bad. So, figure out what are the learnings that you can take from your experience. Maybe you were too quick to make a decision, and you should have investigated more before saying yes, and paying over the money.

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Or, maybe it was the right thing at the time, but now, you're in a different place. And whatever that thing was that you invested, is no longer serving you. But again, take the learning from it that you can, and just go forward. I want to reiterate, that money loves speed.

If you want to make more money, more quickly, in your business, make a quick decision. Close your decision loop, so that you don't keep going around and around and around in circles, and beating yourself over the head, and just go forward. Ignore the sunk costs.

Finally, accept that you are a human being. You are emotional. You don't like to lose money. It's very normal. But your business is here to make money and to be profitable. So, the more quickly you can just give yourself a hug, a real one or virtual one. Just extend yourself some compassion and love for making the decision and losing the money, and just recognizing that it doesn't feel good. And then, closing that decision loop and moving on, the faster you can make a new decision and create more money in your business.

All right, my friends. That is what I have for you today. The sunk cost fallacy is real. And you can overcome it by deciding to cut your losses, ignore the sunk costs, and move on.

Thank you for being with me today. I look forward to seeing you next week on the podcast. And, I look forward to seeing you at Money School. Don't forget to pop on over to my website, DebbieSassen.com/moneyschool, and join us; October 31st, November 1st, 2nd, and 3rd. I look forward to training you live in Money School.

See you later, my friends. Bye for now.

Thanks for listening to *Mastering Money in Midlife*. If you want more information on Debbie Sassen or the resources from the podcast visit MasteringMoneyinMidlife.com.