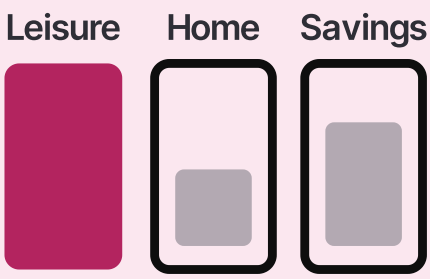
Concept

Mental accounting

We split money into separate mental accounts, like leisure or home, and don't treat all money the same.



In Spanish
Contabilidad mental

Origin
Thaler (1985)

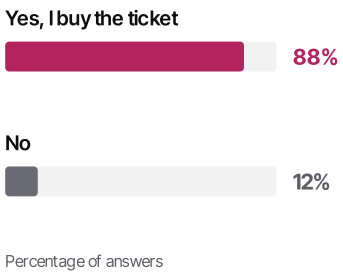
What problem it addresses

It explains why we spend differently depending on where the money comes from or which mental account we log it in.

An example

You are going to see a play and the ticket costs $10. When you arrive, you find you have lost something.

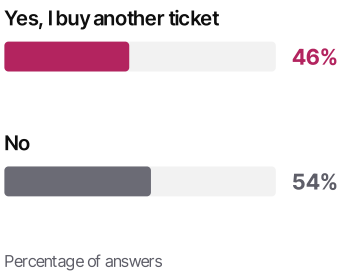
You lose a $10 bill



Percentage of answers

Do you buy the ticket anyway? Yes, **88%.**

You lose the $10 ticket



Percentage of answers

Do you buy another? Yes, only **46%.**

In both cases you lose $10. But the lost ticket comes out of the theater account, and buying another feels like paying twice.

Why it happens

1



We log each expense in a mental account, such as leisure, food or treats.

2



Each account has its own limit, even though the money is the same.

3



What comes out of an account already spent hurts more than what comes out of another.

Applications in design

Use it like this

Help people see the total cost, not just the account they log it in.

Avoid

Splitting a price into small installments so it doesn't look like a big expense.

Don't fall for it

Before spending, ask yourself whether you would do it with money from another account.

88% vs 46%



What the research says

People who would buy the ticket after losing a $10 bill or after losing the ticket itself (Tversky and Kahneman, 1981).

●●● **Solid evidence.** Thaler (1985) developed the idea and called it mental accounting.

Connections

Used in

- Product design

Related to

- Anchoring
- Sunk cost effect

Authors and works

1981	**Amos Tversky and Daniel Kahneman**	Posed the lost-ticket dilemma.
1985	**Richard Thaler**	Described how we organize money into mental accounts.

Sources

Original sources

- Thaler, R. (1985). Mental accounting and consumer choice. Marketing Science, 4(3), 199–214. View source (https://doi.org/10.1287/mksc.4.3.199)
- Tversky, A., & Kahneman, D. (1981). The framing of decisions and the psychology of choice. Science, 211(4481), 453–458. View source (https://doi.org/10.1126/science.7455683)

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