

491: The Sunk Cost Fallacy



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With Your Host

Jody Moore

[Better Than Happy](#) with Jody Moore

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Is the sunk cost fallacy at play in your life? Is it preventing you from getting the absolute most out of your financial decisions, the way you spend your time, and where you put your effort and attention? Well, the answer to this question, according to the experts, is yes, it is at play in all of our lives. And the way to minimize its effect on each of us is to become more aware of what it is and how it drives us. From awareness, you will have the ability to make wiser decisions. And that's why today I wanna dive in to The Sunk Cost Fallacy, episode 491. Let's go.

Welcome to *Better Than Happy*, the podcast where we transform our lives by transforming ourselves. My name is Jody Moore. In the decade-plus I've been working with clients as a Master Certified Coach, I've helped tens of thousands of people to become empowered. And from empowered, the things that seemed hard become trivial, and the things that seemed impossible become available, and suddenly, a whole new world of desire and possibility open up to you. And what do you do with that?

Well, that's the question... what will you do? Let's find out.

Sometimes, listening to a podcast is enough. But sometimes, you'll feel inspired to go deeper. If you hear things that speak to you in today's episode, consider it your invitation to a complimentary coaching workshop.

On this live, interactive Zoom call with me, you'll get a taste of the power of this work when applied in real life. You can participate, or be a silent observer. But you have to take a step if you want to truly see change in your life... two steps, actually. Head to jodymoore.com/freecoaching and register. Then you just have to show up. Your best life is waiting for you. Will you show up for it? Jodymoore.com/freecoaching. I'll see you there.

All right, everybody, welcome to the podcast. How's it going? How's your holiday going? How's December treating you? Are you enjoying it? It's a really bizarre year for my family and I because we moved to the San Diego area at the beginning of the summer. And so for my two youngest kids

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anyway, this is their first time experiencing Christmas in a place that is sunny and relatively warm.

I noticed the people around me are getting out their beanies and coats and talking about how cold it is. And I do still like to wear a coat and I get kind of cold, but I'm like, this is not cold people. It's interesting because my younger kids kind of miss the feeling that cold weather brings that they associate with Christmas and I keep reminding them that's just because that's how you know Christmas as gray and gloomy and dark but after a couple years we're gonna have Christmas memories in the sun and also we'll go visit the snow don't worry. I love to visit snow, I just don't love living in snow.

So at any way, we can always find something to complain about, right? Anyway, I hope you're having a great holiday. We are having a beautiful time overall. We're loving it, loving the holiday season, loving living here in San Diego. And I'm thinking of all of you, especially those of you in the cold.

I wanna dive into this concept today, this phenomenon of the sunk cost fallacy. Obviously I did not make this up. We're gonna go to an official definition in a minute, but it's one that I have thought about a lot over the past few years and tried to really notice in my life.

And according to the experts, like I kind of said before, apparently none of us can totally get rid of it. It's just a part of how human beings operate for some reason. But I do think that being aware of it can help us to minimize it.

So I'm going to start out with a story for you. So I remember a few years ago when we lived in Washington state and we decided to go skiing one day. So my husband got online and got lift tickets for the kids and I and we got all of our gear loaded it up in the car drove up to the ski mountain got our clothes on went up and started skiing and it was a cold day.

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I don't remember if it was snowing or raining, which I know for the true skiers, the real skiers love skiing when it's snowing because you have fresh snow. But for a skier like myself, that is just a recreational, maybe we'd even call me an obligatory skier because I really only ski because my family loves it so much and I do like to be with them and I want to be helpful and supportive and take them skiing.

But at any rate I don't love skiing when it's snowing because it's wet and it's colder and the visibility's worse. And those are just the things I don't like about skiing anyway. So anyway, we're skiing and we break for lunch and we're sitting in the lodge and I'm thinking how good it feels to be not skiing and to be out of the cold, to just be resting, eating some food, and I think to myself, well, I guess I could just stay in the lodge and not ski the rest of the day, but that seems like it would be such a waste of money because we paid for this full day lift ticket, which is not cheap, by the way.

If I don't go out and keep skiing, that will be a waste of the money, right? This is the sunk cost fallacy at play. What I did before I even would have labeled it that was go, wait a second, like I don't remember what the lift ticket costs nowadays, but let's say it was \$75. Okay. As I suddenly asked myself, wait a second, if somebody said, hey, for \$75, you can enjoy the rest of your day more than you've been enjoying it.

You can be warm, you can be comfortable, you can rest and relax. It's only \$75. Would you do it? I was like, maybe, I might. I might pay \$75 to be warm. And the answer is, you could. You could just stay here in the lodge and not go out skiing again. And instead of telling yourself you're wasting a lift ticket, you could say, no, I'm putting that money now towards being warm in the lodge. And so I did. I stayed in the lodge. Like the bummer of a mom I am sometimes. And I think actually we all left early that day.

But that is the sunk cost fallacy, right? It is, let's go to dictionary.com and get an official definition. Dictionary.com says, it is the phenomenon whereby a person is reluctant to abandon a strategy or course of action

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because they have invested heavily in it, even when it is clear that abandonment would be more beneficial.

Okay, now, I wanna be clear that this investment in the decision can be an investment of time or money or effort or emotional energy. So it happens a lot with our money, but it doesn't have to just be with money. It can be with other things. And you're going to, as I talk through some examples, you might notice it come up in all of these areas. And I want you to become aware of it so that you can make wiser decisions.

Right? So this shows up first of all, in relationships a lot. Right? If you are in a relationship with someone, a friendship, a romantic relationship, a marriage, etc. And you reach a point where you realize this relationship is not serving me, it's not providing me what I want or need. Maybe it's not even downright healthy for you. Maybe it's even creating problems and "harming you" in certain ways.

This happens all the time, right? Maybe this is a friendship that has gotten to a point where it's actually exhausting me and painful for me and a lot of work for me to not get upset or hurt, et cetera, but we don't abandon that relationship because of all the time we've put into it. But I've just known them so long. But we've been married for 20 years. But we've been living in this house for so long. How can we sell this house? We have so many memories in this house.

We put so much money into this house. We put so much time into this house. Notice I just jumped from relationships over to houses, but that's just how my brain is these days, people. Here comes menopause. I don't know. Try to stay with me.

At any rate, it's just been going on for so long. I've been in this relationship. I've known this person. I've lived in this house. I've done this thing for so long. How can I just walk away? Doesn't that mean that that was a waste of time? So we do this with relationships. We do this with homes. We do this with projects. We do this with places where we live.

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I see people do this in their businesses a lot. They'll decide that they're going to have a certain strategy. Maybe it's a, for example, a course they want to sell. They put a lot of time and effort and emotion and love and maybe money into creating a course. And then we realized down the road that the course is not right for some reason. People don't want it, people aren't buying it, it's not creating the result that we thought it would create for people, whatever. It's not, "getting us what we want" and it's not working.

Okay, so what would be best? Sometimes what would be best would be to abandon the course, to toss it out, to start all over. And when our brains go, but I put so much into that, I've been working so hard on it, I invested so much in it, that is the sunk cost fallacy at play.

I love that the term is described with the word fallacy, because a fallacy is just a lie. It's your brain believing a lie. The lie your brain is believing is that if we walk away from that thing, that we somehow aren't getting what we should out of the past, when the truth is staying on that course is actually continuing to create more problems to slow us down or to prevent the success that we actually want.

If I keep with my course because I'm just attached to it because I put time and money into it and it's not selling, then meeting the goals I'm trying to meet of growing my business or selling something or helping people are even harder because I'm holding on to this course than they would be if I let the course go. That's where the fallacy comes in. Right?

The classic example whenever you hear people talk about sunk cost fallacy is with the concert. Like you bought a concert ticket for \$50 and on the night of the concert, it's pouring rain and you don't feel good. And so you kind of don't want to go to that concert, but you tell yourself you should because you paid \$50 for the ticket when clearly staying home and resting and not going and standing in the rain would be ideal, would be better for you.

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So what do we do? Let me give you a few other examples where I see sunk cost. It's actually everywhere. You'll start to see it everywhere if you just take a look around you. It's easy to see in other people, especially, but try to notice it in yourself, right?

When you go out to eat and there is food, like you pay whatever, let's say \$15 for your meal. And you only eat half the meal because it's a gigantic serving. And you say to yourself, I should take the rest home and box it up because I could eat it later. Now, don't get me wrong. If you're going to eat it later, I'm in. Take it home and eat it later.

But if you're like me, you're not actually going to eat it later. You're going to have to first of all, if we're talking about being wasteful, we're going to get a to-go container and we're going to waste that and then we're going to waste time and effort boxing up this food, and then we're gonna waste a little brain power having to remember to take the box with us, because again, if you're like me, you leave that box on the table half the time. But anyway, maybe we do remember, we take it with us, and then we go through the effort.

I know this is a little bit of effort, don't get me wrong, but it's still effort to like, to remember to bring it in from the car, put it in the fridge, and then eat it the next day. Now, if you're not going to eat it, which is what I tend to not do, it's going to sit in the fridge for a while until it starts to grow something really mysterious and starts to smell really mysterious. And then finally I'll remember, because it will stink so bad, to take it out and throw it in the trash and now it's gonna go in the trash and take up space in the landfill. All of that when we could have just let the server clear the plate, dump the food down the garbage disposal and be rid of it.

Instead, we spent all this energy because we're like, I don't wanna waste money, I spent \$15 on that. And again, if you're gonna eat it later, I'm in, but if you're like me and you know you won't, it's actually more wasteful, you might say, depleting your resources more, not financially, but time, effort, energy, brainpower, to take it with you. Don't do that.

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There's always a cost to saving things, you guys. There's a cost to the space it's gonna take up in your fridge or in your home or on your shelf or in your car or whatever it's gonna be. There's a cost to the brain chatter that's gonna happen when you see it and the thoughts you're gonna have to have and the things you're gonna have to remember to properly get rid of stuff, or the clutter, or the lack of ability to find what you actually want, right? So this is important to keep in mind.

Now, this happens actually on a really large scale even, right? So there's classic stories all over the place about government institutions especially, but all kinds of organizations. It's just really easy and fun to pick on government, so let's do that. Government institutions, right, that make decisions and it goes through a process where people vote on it and everyone agrees, yes, we're gonna build this big super highway or whatever.

And we put tons of money and we have to like make a solid case for it and convince everyone this is what we really need, only to find that the project takes longer than we thought, costs more money than we thought. We might realize that sometimes it's not even going to be as useful as we thought, and they keep going anyway.

And they keep sinking money into it, spending money, spending time, spending energy on this thing because of where we are, because of the sunk cost fallacy, because we already have spent so much on it. We've already put so much into it. If we just abandon it, we lose all that when the reality is all that's lost already anyway, period.

Okay, so there are three things I want you to keep in mind that will help with this. I think before I go to those, actually, I want to just touch on a couple like cousins of the sunk cost fallacy that contribute to it. One of them is commitment bias, right? Every single one of us has a tendency to have a bias towards previous commitments that we've made.

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So if I, especially by the way, if we have talked about it publicly or we have somehow exhibited publicly our commitment towards this thing. So I have a bias towards decisions that I've made in the past, commitments I've made in the past, which again, this can be a very useful thing.

Like I have a commitment bias towards being married to Jake Moore. And I like that because I want to stay married to Jake Moore. And so if I have a day when I think that I'm getting on his nerves or he's getting on my nerves or whatever, right, then my bias is towards the previous commitment I've made of staying married. So that it can be useful, but it can also become problematic if we're not aware that that's what's happening, right? If I'm weighing out pros and cons of something, I'm going to have a bias towards any commitments I've already made, especially if I've made them publicly.

The other thing that's at play here is loss aversion or negativity bias, which are sort of similar. Loss aversion says that we tend to feel losses heavier, they're weighted more heavily than wins, which is the same as negativity bias, right? Negative things are weighted more heavily in our minds than positive things.

So if I lose \$10, that feels heavier to me than the joy I feel when I gain \$10, right? Lose \$10, gain \$10. It feels heavier when I lose it than when I gain it. I'm more upset about losing \$10 than I am happy about getting \$10.

Negativity bias, again, same things. Our brains pay more attention to things that are negative, that we think might be harmful, that we think might be bad, than they pay to things that are positive, things that we want, things that we think might be good. We're more motivated to avoid negativity than to seek after positivity.

So anyway, all these things obviously are at play with the sunk cost fallacy. Let me give you the three things I recommend that you keep in mind to help you manage this part of your brain.

So the first thing, and I'm constantly saying this, those of you that get coached by me know that I'm constantly reminding you of this. I'm

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reminding myself of this, which is that we don't have a time machine. I don't have a time machine. So every time my brain wants to go to like, yeah, but I spent the money on that thing. And if I don't go, it will be a waste of money. I remind myself, wait a second, I don't have a time machine.

So that means that money is already spent. I cannot get that money back now anyway. Even if I am realizing that I shouldn't have spent that money, I shouldn't have bought that thing, I shouldn't have made that decision, that money is already spent. There is no time machine, or my time was already put into that, or my energy, or my investment was already put into that thing. I don't have a time machine.

So that means the past is not as relevant as my brain is making it when it comes to the future. If I were deciding today whether or not to move forward with this super mega highway project if I'm the government, or if I were going to decide today whether or not to buy a ticket to the concert, or if I were going to decide right now whether or not to buy a lift ticket to keep skiing for the rest of the day, would I yes or no? And if the answer is no, right? Sometimes it's a clear no.

Then it makes sense, it makes more sense to abandon the strategy than to stay with it. I will now get to have a future from now going forward that is more of what I want. I can invest my resources more appropriately, I can invest my time more appropriately, I can have the kind of experiences that I wanna have, I can feel how I wanna feel. If I abandon that past decision, there's no time machine, I can't go back and change the past but I can start thinking about the future, which is my number two thing I wanna recommend that you do.

Start becoming future-focused. What would I do now going forward? What do I want to do? If the past isn't as relevant as my brain - and the reason I say it's not as relevant is because obviously the past is how we learn. So sometimes I also reframe it for myself of, oh, it turns out I had to spend \$50 to learn that I don't want to go to that concert tonight. Turns out I had to spend the amount of time and energy and effort that I put in and earn

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money into building this course to learn that this course isn't gonna create the results I want.

But here's the good news. With Most of the things that we do, especially again, for those of you that own businesses, it's not a total loss. We actually gained some experience. We met some people. Maybe we learned how to use some software or technology that could be useful going forward. Maybe we learned how to flesh out a message. We certainly learned some things about what doesn't work. So there's still tons of benefit that comes from it, even when you change course and abandon something, right?

Relationships, same thing. I'm a different person today because I knew that person or because I was in a relationship with them and maybe they're different too and in some ways we're both better for it and wiser for it. So in most cases, there are a lot of things that you're taking that are wins that you're taking away. It's not the loss that your brain is making it, but it makes more sense to abandon what's not working than to keep going just because you've invested in the past.

The final thing I will say is to just decide, and I'm just offering this, some people don't like this, so you can reject it if you don't like it. But I just decided years ago that there's no such thing as wasted money or wasted time. Now, like I said, some people don't like this, they get upset when I say that. They're like, but there is.

If you spent money on that thing and then you didn't use it or you threw it away or whatever, that's a waste of money. And I say, okay, but when I think that, it keeps me operating from the sunk cost fallacy. It prevents me from making confident decisions in moving forward. It puts me into scarcity. So I find it for me to not be a useful thing to think.

So let's say I pay money for a course. I've done this before, actually. I've paid money for like an online course, and then I discovered that the course actually isn't really what I thought it was gonna be. It's either not providing me what I thought it was gonna provide and I'm not getting as much out of

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it, it's costing me more in time and energy and effort to show up for it or watch the videos or whatever, take the course, then what I'm getting out of it, or maybe it is good and I'm just not fitting it in my schedule, I'm not making the time for it, I'm not doing it, okay?

Then I can tell myself that was a waste of money. And then I'm going to feel guilty. I'm going to feel maybe ashamed. I'm going to think about it all the time. It's going to take up extra brain chatter in my head. I'm going to constantly be on my own back feeling bad for not doing it, which will make it even harder for me to continue on with achieving whatever goals I had for the course in the first place.

Or I can decide, I thought I wanted to take that course. I thought that course was going to provide me what I wanted and needed, or that I was going to show up for it. But apparently I was wrong about that. Apparently I don't want to take that course or that is not the right course for me. And I had to spend the amount of money that the course costs in order to learn that. Okay, good to know. That's what I spent that money on. And now we move forward. Right? Like, you literally can choose to think about it any way that you want.

And people think if I don't punish myself, if I don't feel bad about it, if I don't say what a waste that was, then I'm going to keep making these kinds of mistakes or bad decisions. And I say, no, guess what? You're going to make mistakes and bad decisions at times, no matter what. You're not doing it on purpose. It's not that you're not trying to make wise decisions, it's that you don't know everything there is to know about yourself or the world or the future or the weather or whatever else. You can't possibly know that and that's okay.

So you can feel bad about it, or you can take the learning and still choose to believe there's no such thing as wasted money. I spent that money on the learning. I thought I was spending it on something else, or I spent the time on the learning. I spent the effort on learning. I thought I was spending it on a different result, but I guess what I was spending it on was the

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learning. So no such thing as wasted time, no such thing as wasted money, just money that we pay sometimes to learn and figure out the direction we actually want to go.

I mean, I'm just saying, it's helped me to operate better in my life, to be wiser with my use of resources. I don't go spend a bunch of money without thinking through it because I believe there's no such thing as wasted money. That doesn't happen. I still think clearly about what I'm buying. I still try to make wise decisions with my money. It's just that I'm still sometimes wrong about what I thought I wanted or needed. And instead of beating myself up about it, I just go, oh, well, what are you going to do? And I move on and I make wiser decisions from that place. Just give it a try. That's all I'm saying.

Sunk cost fallacy. So fascinating, right? Come and tell me what you know about this because you probably, some of you know a lot more about this phenomenon than I do. I'd love to hear about it. Come to Instagram and send me a message or I don't know. How do you wanna get ahold of me? You'll find a way. Where there's a will, there's a way, just saying.

All right, you guys are amazing. I love you, thanks for being here. I'll see you next time, bye-bye.

Oh wow, look at that. You made it to the end. Your time and attention is valuable, and I don't take it lightly that you made it this far. In fact, it tells me you might be like me; insatiably curious about people and life and potential and connection. Maybe you have big dreams but a small budget and no time. You're tired, but bored. You're content, but dissatisfied. Sound familiar? Come to a free coaching call and see for yourself what's possible: jodymoore.com/freecoaching to register. That's jodymoore.com/freecoaching.