



## C. Financial PTSD and the Scarcity Mindset



Let's look at some ways that a trauma-informed approach is important when financially empowering survivors of abuse or other vulnerable populations.



Trauma and financial  
behavior are deeply  
interconnected.

.....  
FINANCIAL PTSD



Why do we need a trauma-informed approach? The answer is: because trauma and financial behavior are deeply interconnected.

Moreover, recent research in the field of financial therapy has shown that there is a type of post-traumatic stress specifically related to finances.

Financial PTSD, as it is commonly called, is a relatively new concept. Nevertheless, it has been gaining traction and informing many of the conversations surrounding financial wellness and social justice.

“It is the **physical, emotional and cognitive deficits** people experience when they cannot cope with either **abrupt** financial loss or the **chronic stress** of having inadequate financial resources.”



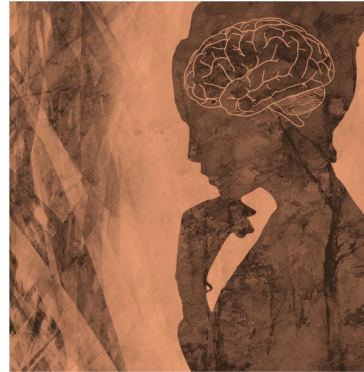
Some research on Financial PTSD describes it this way: “It is the physical, emotional and cognitive deficits people experience when they cannot cope with either abrupt financial loss or the chronic stress of having inadequate financial resources.”

Source:

<https://goop.com/wellness/career-money/are-you-struggling-with-financial-ptsd/>

“It interferes with ability to carry out **normal work** and **home life functions**, and manifests in multiple areas of the person’s being.”

.....



They add that “it interferes with ability to carry out normal work and home life functions, and manifests in multiple areas of the person’s being.”

Source: <https://www.forbes.com/sites/briannawiest/2019/04/04/financial-trauma-is-a-reality-for-one-third-of-millennials-this-expert-explains-how-to-recover/?sh=65745941130c>



[Chloe McKenzie's interview in BadWithMoney podcast](#)

## 5 Automatic Trauma Responses

1. Fight
2. Flight
3. Freeze
4. Appease
5. Dissociate



Chloe McKenzie is a wealth justice activist, founder of BlackFem and the Center for Financial Trauma and Wealth Justice.

Here she talks about the meaning of wealth and how economic violence gets in the way of wealth building.

<https://podcasts.apple.com/no/podcast/financial-trauma-chloe-b-mckenzie/id1144712710?i=1000522327562>



- Negative thought patterns, rumination on failure
- Concentrating is difficult
- Perceived hostility, “only a matter of time for the other shoe to fall...”



Financial PTSD shares some of the same hallmarks as other post-traumatic stress disorders with different causes for the trauma, but it also displays several traits particular to it. The following are some of its symptoms:

- Basic thought patterns regarding money are negative, and often involve rumination on failure.
- The ability to concentrate is short-circuited, focus is often interrupted by nagging thoughts of financial doom.
- The individual sees their general environment as an increasingly hostile place, believing that it's only a matter of time before bad, or worse, things happen again.

Source: Forbes article, interview with Dr. Buckwalter

<https://www.forbes.com/sites/briannawiest/2019/04/04/financial-trauma-is-a-reality-for-one-third-of-millennials-this-expert-explains-how-to-recover/?sh=65745941130c>



- Unresolved nervous energy: chronic insomnia, nightmares, jitteriness
- Fears mail, texts, phone
- Coping mechanisms take over: avoidance / substance abuse




We're stuck in overdrive, unresolved nervous energy takes hold. Jitteriness, insomnia, nightmares, etc., become chronic

Fear regarding mail, or phone calls (every time the phone rings, it's a bill collector, etc.) AUDIENCE: Who's had a client avoid them?

Coping mechanisms, such as avoidance, or substance abuse, increases.

Source: Forbes article, interview with Dr. Buckwalter


<https://www.forbes.com/sites/briannawiest/2019/04/04/financial-trauma-is-a-reality-for-one-third-of-millennials-this-expert-explains-how-to-recover/?sh=65745941130c>



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## Financial PTSD (feedback from local Tucson advocates)

- Difficulty building trust between advocate and client
- Secretive about \$
- Overspending / Emotional Spending
- Underspending



The following is based on feedback from trainings delivered to advocates here locally.

Any others that you've noticed with your clients?



## Scarcity Mindset



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Our brain is less effective  
when we feel that we lack something.



Trauma can also produce what's known as a "scarcity mindset".

Some research in psychology and public health reveal that "people's minds are less efficient when they feel they lack something — whether it is money, time, calories or even companionship."

[Source: <https://www.apa.org/monitor/2014/02/scarcity>]

Is there anyone who could relate? Has anyone here ever been on a diet? Or feel like there are just not enough hours in the day to get everything that needs to be done done? How has that affected your executive functions?

## Scarcity Mindset



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DIMINISHES ABILITY TO PLAN  
AHEAD & PROBLEM-SOLVE

CONFUSION, MEMORY PROBLEMS,  
& LANGUAGE ISSUES

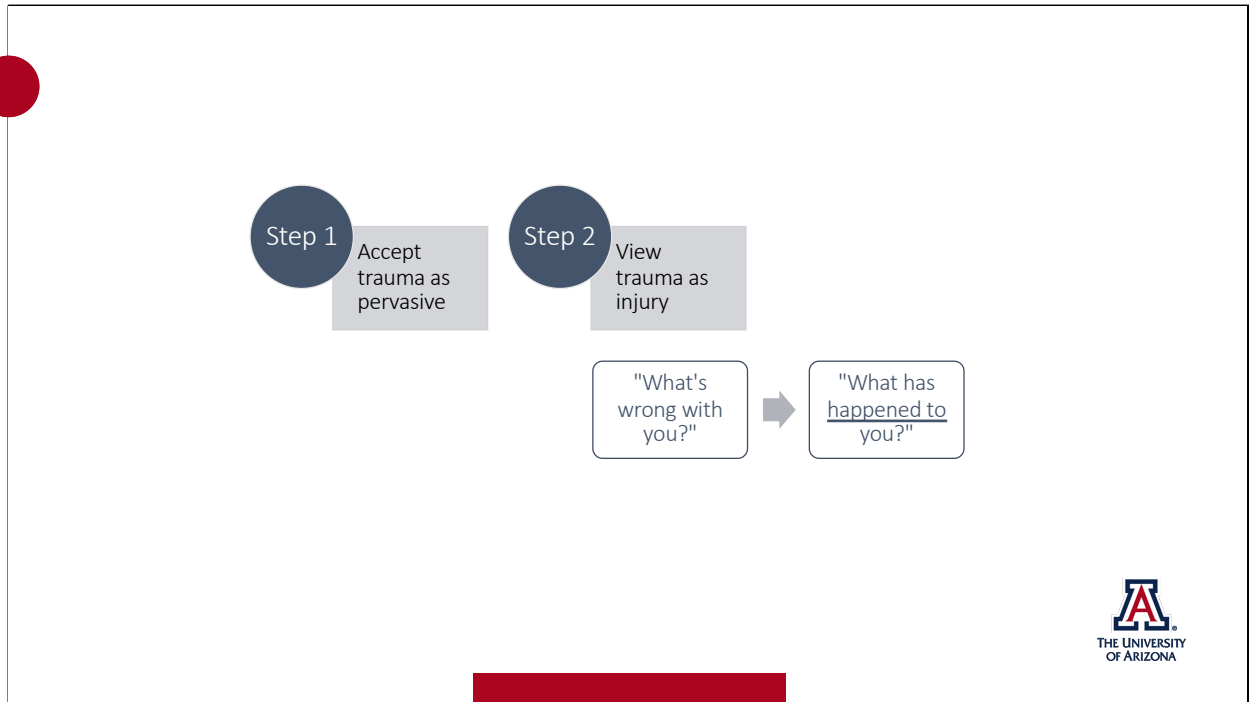
MORE LIKELY TO MAKE MISTAKES  
& BAD DECISIONS



These researchers tell us that:

- The scarcity mindset consumes "mental bandwidth" — brainpower that would otherwise go to less pressing concerns, planning ahead and problem-solving.
- This deprivation can lead to a life absorbed by preoccupations that impose ongoing cognitive deficits such as confusion, memory problems, and issues with language.
- Scarcity can also reinforce self-defeating actions." "Being poor requires so much mental energy that those with limited means [...] are more likely to make mistakes and bad decisions than those with bigger financial cushions."

[Source: <https://www.apa.org/monitor/2014/02/scarcity>]



To go back to the first steps to becoming trauma informed:

We need to accept that financial trauma is pervasive, "assuming that all the people you are helping have experienced financial trauma" and hope the previous slides will be helpful in understanding how trauma probably has been "a defining and organizing experience" for your clients.

Also as seeing "**trauma as an injury...** an injury," as opposed to "an illness, sickness, weakness or character flaw."

Now you'll have a better sense that the answer to this (point) question--- "financial trauma is what happened."

Source:

<https://trauma-informed.ca/about-us/mtiec-trainings-and-webinars/trauma-informed-organizations-and-systems/becoming-trauma-informed/>