Semester Course

1.5 Herd Mentality and FOMO

## *Student Activity Packet*

## UNIT: BEHAVIORAL ECONOMICS

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Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| **Students will be able to:*** Understand what herd mentality and FOMO are
* Explain how these two cognitive biases impact our personal finances
* Identify practical steps someone can take to combat the influence of herd mentality and FOMO
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| **""** | INTRO |

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## **PROMPT:**

Use the space below to answer the prompt.

1. **Your personal finance teacher asks a multiple choice question as part of a fun, whole-class game you’re playing. The overwhelming majority of your classmates raise their hands for answer choice B. However, you are pretty confident the answer is D. Do you change your mind and pick answer B or stick with your answer, D? Explain.**

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| **""** | LEARN IT (1) |

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## **VIDEO:** [**Question the Herd**](https://www.youtube.com/embed/0IJCXXTMrv8)

## **INFOGRAPHIC:** [**The Bandwagon Effect**](https://sketchplanations.com/the-bandwagon-effect)

## The tendency to choose an option that the majority chooses is due to a cognitive bias called Herd Mentality, also known as The Bandwagon Effect. Watch this video to see how herd mentality can influence our decisions. Then, read through this infographic and short article. Finally, answer the questions.

1. **What are some reasons that explain why we might choose to “go with the herd” rather than stick with our own choice?**

1. **Provide an example of when you’ve experienced or seen herd mentality in your life.**

## **VIDEO:** [**FOMO: Our Relationship with Social Media**](https://www.youtube.com/embed/q5zv9_ZgYoQ) **(2)**Another cognitive bias that is very similar to herd mentality is FOMO, or the Fear of Missing Out. Watch this video to learn more about what FOMO is and then answer the questions.

1. **Draw a social media post that would make you feel FOMO. Explain why it would make you feel this way.**
2. **Describe a time when you have chosen to do something because of FOMO.**
3. **What is one realistic step you can take to combat FOMO from social media?**

## **ARTICLE:** [**What Are FOMO and YOLO Teaching Us About Our Money?**](https://www.forbes.com/sites/forbesmarketplace/2020/04/23/what-are-fomo-and-yolo-teaching-us-about-our-money/?sh=76a8267512dd)  **(3)**FOMO can influence the decisions we make in multiple areas of our lives, including how we spend and save our money! Read this article to dive deeper into how a FOMO and YOLO (You Only Live Once) mindset can impact our personal finances. Then, answer the questions.

1. **It’s Friday night and Noah’s friends are all going out for dinner. Noah has already maxed out his monthly budget for dining out, but he doesn’t want to miss out on the opportunity. What are the trade offs Noah will have to make if he decides to:**
	1. go eat with his friends?

* 1. eat at home and skip dinner with his friends?

1. **What is a risk of constantly having a YOLO mindset when making financial decisions?**
2. **What is one thing you can do to prevent yourself from making an impulse purchase?**

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| **""** | DO IT (4) |

## **ACTIVITY:** [**ANALYZE: FOMO & Herd Mentality in Advertisements**](https://docs.google.com/document/d/1DhT1sH7Ys_TJUqLGLWTK8BaDX809lziTzccA6o0SnFs/edit) (see below)

## You’ve explored how FOMO and herd mentality can influence the decisions we make with our money. You’ll now analyze the role these cognitive biases play in advertisements we see everyday! Follow the directions on the worksheet to complete this activity.

ANALYZE: FOMO & Herd Mentality in Advertisements

Have you ever felt anxious that you’re the only one who is missing out on an event or trend? Have you ever done something simply because everyone else is doing it? These behaviors are due to the cognitive biases FOMO (Fear of Missing Out) and Herd Mentality, and they can significantly influence how we choose to use our money and impact our personal finances overall!

In this activity, you will conduct research to find an advertisement that uses FOMO or herd mentality and analyze how it uses these cognitive biases to influence consumers. Then, you’ll create your own advertisement!

**Part I: Cognitive Bias and Personal Finance Topics**

Your teacher will assign you to find an advertisement that focuses on one of the two cognitive biases (FOMO or herd mentality) **and** one of three personal finance topics (spending, investing, or homebuying.)

1. Check off the options you’ve been assigned in the table below:

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| --- | --- |
| **Cognitive Bias** | **Personal Finance Topic** |
| * **FOMO**: anxiety that an exciting or interesting event may currently be happening elsewhere, often aroused by posts seen on social media[[1]](#footnote-1)
* **Herd Mentality**: the tendency of the people in a group to think and behave in ways that conform with others in the group rather than as individuals[[2]](#footnote-2)
 | * **Spending**: Consumers are being influenced to spend their money on a product or service
* **Investing**: Consumers are being influenced to invest in a specific asset
* **Homebuying**: Consumers are being influenced to buy a residential property
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**Part II: Find an Example**

1. Skim through [this article](https://www.trustmary.com/blog/7-real-examples-you-can-copy-of-using-fear-of-missing-out-fomo-in-advertising/) to learn about some key tactics that are used to create a sense of FOMO and herd mentality in advertising. Which of the tactics listed in the article have *you* seen when browsing the internet or shopping online?

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1. Now that you’ve learned about the tactics marketers use, conduct online research to find an advertisement that uses the cognitive bias within the personal finance topic you’ve been assigned. You may choose to go to popular shopping, investing, and home buying websites to find a few different options and then choose the one you like best.
2. 1. Box 2 – describe the advertisement and where you found it
	2. Write down the cognitive bias and personal finance topic you’ve been assigned
	3. Explain how the advertisement you found reflects the cognitive bias and personal finance topic you’ve been assigned. You may wish to draw arrows or put boxes around specific parts of the advertisement that you want to emphasize in your
1. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)