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Everyone who uses a credit card knows that you have to pay more than the monthly minimum if you ever want to pay off credit card debt. Well, the credit card companies know that, too, but they would like you to maintain a large balance and make regular, high interest, payments on your debt. That’s how they make money.

Psychologist Neil Stewart wondered whether printing the minimum payment on a person’s credit card bill will help the customers, or will help the credit card company. Dr. Stewart published a study in 2009 in the journal *Psychological Science* demonstrating how the minimum payment printed on bills impacted the amount that customers decide to pay.

In Stewart’s study, participants viewed a fake credit bill that either included a minimum repayment amount, or no minimum amount. Those who viewed a minimum payment decided to pay, on average, 23% of the total, while those who saw no number decided to pay on average 44% of the balance. Not viewing a minimum payment led participants to pay almost twice as much as those who did see the minimum payment.

Researchers who study decision making, use the term *anchoring* to describe a situation where a random or arbitrary number biases a person’s judgment. Imagine a contest where you have to guess the number of jelly beans in a large jar. Let’s just say that there is actually 10,000 beans in the jar, but if you are asked to guess whether there are more or less than 3,000 beans, you will guess a lower number than if you are asked to guess whether there are more or less than 8,000 beans in the jar. The number in question anchors your response just like a minimum payment printed on the bill anchors many people’s decisions about how much to pay.

So what should you do, besides paying your bill in full each month? Try to focus only on the total amount you owe, and don’t look at that minimum payment.

Content contributed by Dr. Emily Stark.

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