

ASPECTS

MASLOW'S HIERARCHY OF NEEDS



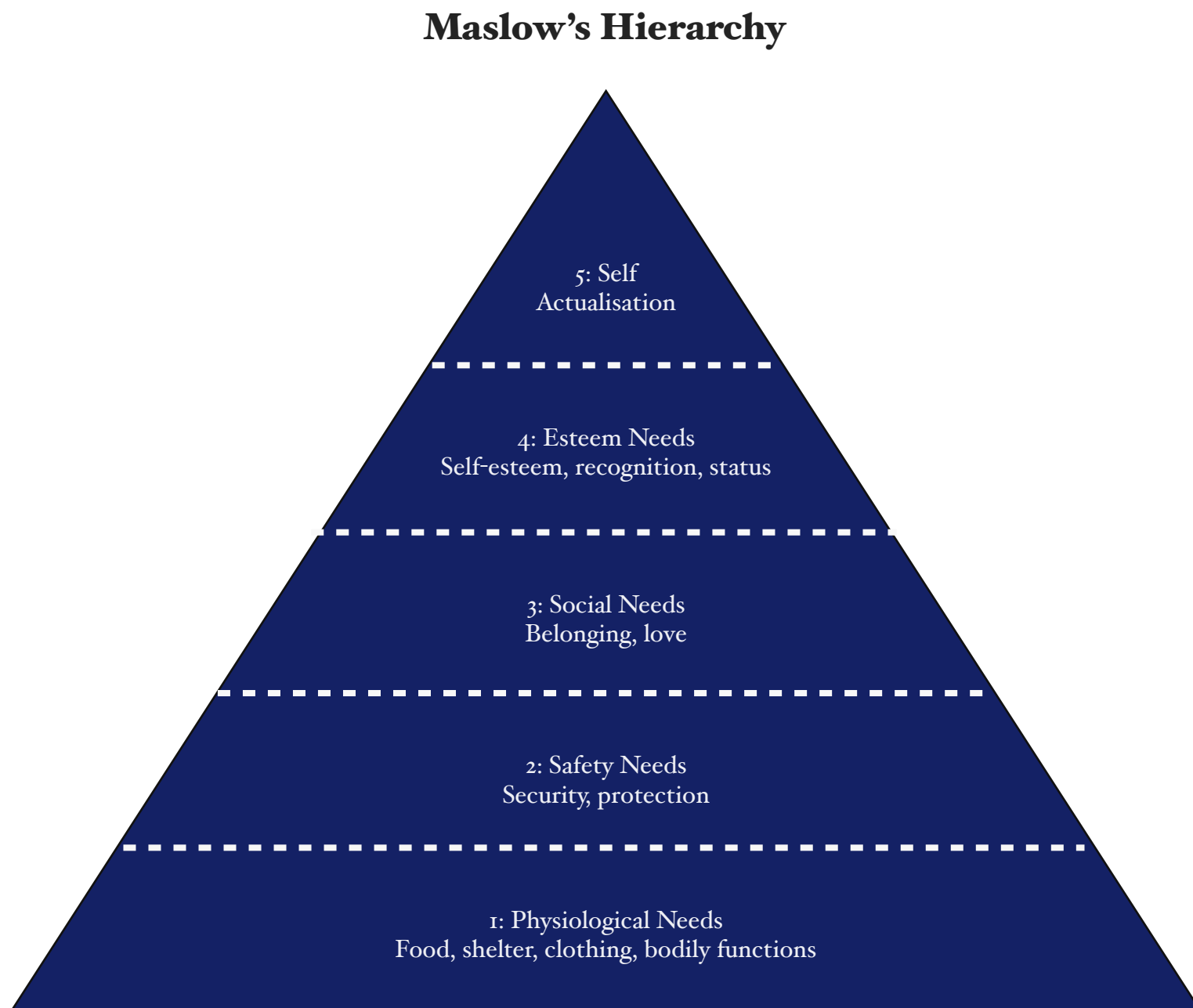
ASPECTS is a periodic newsletter for prospects and clients discussing economics, finance, the economy and other topics of interest.

© Northplains Capital Partners LLP
15th May, 2021

Maslow's Hierarchy of Needs

Abraham Harold Maslow, an American psychologist, in 1943, propounded a theory for understanding human motivations and underlying needs, that has found wide acceptance and application in psychology, management studies and marketing.

Maslow's Hierarchy of Needs¹, as the theory is renowned, explains that human behaviours are motivated by the desire to fulfil 5 groups of hierarchically arranged needs.



The most basic set of needs is classified as “Physiological needs” e.g. food, shelter, clothing and basic physical functions viz. sleep.

Then there are core needs associated with safety and protection i.e. the need of men and women for safety of their physical and emotional selves, belongings, possessions and the need to be protected from hazards and accidents.

The third and next higher set of needs is centered around belonging and love. In other words, people yearn for a sense of belonging to one or more cohort(s) whether it be family, geographical region, political group, country, or membership of a group organised along lines of profession, interests etc. In addition, they want to feel and express emotion, bonding and affection for others and to be loved by others.

The fourth set of needs are classified as “Esteem needs”, and these are met by a sense of self worth, recognition by others, and by having a certain status in society.

Regarding the fifth level needs, Maslow said “What a man can be, he must be, this need we call self actualisation”. In other words, self actualisation needs provide the motivation in individuals to strive to achieve their highest potentialities and to express them in their day to day lives and actions.

¹ Our newsletter provides a brief overview of Maslow's Hierarchy. For a detailed explanation and additional references refer to “A theory of motivation, 1943 by A. Maslow”.

These needs are arranged in a ranking from the lowest - “physiological” to the highest - “self actualisation and transcendence”, and people strive to fulfil them largely in that order. This implies that most individuals in most situations, would satisfy a more basic need before concentrating on a higher level needs category, for example, an adult directed by his or her inner psychology would want to ensure he/she has enough to eat, proper clothes to wear and a place to stay (Physiological), before channeling energies on establishing a certain status in society (Esteem).

Maslow’s hierarchy is an intuitive framework to understand human motivations in diverse situations. Critics however, amongst other observations, have pointed out instances where the hierarchy may not apply, and other frameworks that may be more appropriate.

Maslow’s Hierarchy & Financial Planning

The hierarchy of needs framework can prove useful in financial planning for individuals and households, helping uncover critical situational facts, which when accounted for can result in incrementally better plans and positive client outcomes.

Firstly, a prospect’s career and life situation can be probed and better understood through the Maslowian hierarchy lens. Then existing expenses and savings habits can be reviewed in light of what is realistic and sustainable.

Asset allocation and choice of financial and insurance products are informed by a prospects return expectations and risk appetite, which in turn are likely to be influenced by their life situation and by which needs are driving their near term actions and are expected to sway their medium to long term motivations, e.g. an immigrant family in a new country may be occupied in meeting their Group 1-3 needs, and may benefit by planning for their expenses and investments accordingly, probably selecting safer investments and prioritising suitable insurance products.

A slightly different example would be of a mid career couple in their 40’s, leading a comfortable life with Group 1-3 needs consistently met, who may want to evaluate relatively higher return, higher risk investments in their asset mix, that help them achieve their long term objectives as individuals, and as a family.



Hierarchy of Needs & COVID-19



From early in 2020, the COVID-19 pandemic and associated mitigatory measures have severely disrupted normal life exposing large sections of the population to economic uncertainty and health related stress. Two of the most impacted population subgroups are perhaps those who have lost their livelihoods, and those who have succumbed to the virus and required hospitalisation and extensive medical care.

Consequently, while individual situations vary, affected populations confined to lead their lives in different and difficult circumstances could be expected to, at least temporarily, withdraw from Group 4-5 needs and gravitate towards base physiological and safety needs. The COVID crises may have highlighted the importance of a savings buffer

and of disciplined financial and life management skills, with the silver lining being once someone has navigated their way through the crises, they can make their way to a more normal life.

Conclusion

Maslow's hierarchy is a potent framework for surfacing, debating and reconciling our inherent motivations with our outward actions to increase our level of happiness and reduce dissonance. As a corollary, financial planning and asset allocation can also benefit by understanding client situations - present and future, through this lens.

Sources

1. Marketing text: Marketing Management by Philip Kotler
2. www.wikipedia.org
3. Google images: Financial Planning & COVID-19

Disclosures

1. The newsletter provides a summary of a renowned behavioural concept by Abraham Maslow, and summarily discusses a few life applications. The information and discussion is provided in good faith, and we do not assume any liability for any conclusions that prospects may arrive at.
2. The writeup is not a recommendation to make investments in any given product. Prospects may want to do their own due diligence or consult their advisors before coming to any conclusions or taking any action.
3. We are not compensated by any fund house or any other third party for sharing newsletter content.
4. Data and information from the Internet is not additionally verified.

Northplains Capital Partners LLP provides investment planning and advisory services to affluent individuals, families and companies.

For clients and prospects wanting to review their investments and financial situation, or to initiate custom research for your company or institution, please contact us at:

Nitin Sood
Email: nitin.sood@northplainscapitalpartners.com
Telephone: (+91) 780 731 9569
(+91) 921 850 1001
Address: 3rd Floor, Ramesh Nivas, Stokes Place, Shimla 171002, H.P.
INDIA
Webportal: www.northplainscapitalpartners.com