FINANCE WITH THE FRIDAYS TREASURER

A Financial Literacy Newsletter

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Finance Fridays
is a publication of the N.C. Department of State Treasurer. Treasurer Brad Briner is focused on preserving, protecting and sustaining the state's pension and health care plans. Briner was most recently the Co-Chief Investment Officer for Willett Advisors and has held positions at Morgan Creek Capital, the UNC Management Company, ArcLight Capital and Goldman Sachs.



I'll go ahead and apologize if you aren't a sports fan… but with the Super Bowl and UNC vs. Duke in college basketball this weekend, plus the start of the Winter Olympics, sports are front of mind.

Let's start with football. It's not hard to guess who is my favorite Patriot - he's the one with the deepest roots in North Carolina (and a wife who is responsible for about 10 extra pounds I'm carrying). But today I want to talk about their Pro Bowl cornerback Christian Gonzalez, because his play in the AFC Championship against the Broncos illustrates a very important concept in financial literacy – so called "sunk cost."



New England Patriots Cornerback Christian Gonzalez

In the first quarter of the game, Gonzalez gave up a long pass where he made a mistake in covering the Broncos' receiver. It was simply bad defense and gave the Broncos a lot of momentum. I'm sure he was embarrassed – but he had a choice to make, hang his head and lament or get up and be better the next time. It's clear what he chose. His interception late in the 4th quarter was the game-winning play for the Patriots and that is why they are playing in the Super Bowl this weekend. But if he had chosen to sulk, he could not have made that key play.

Which brings me to college basketball. One of the best quotes about learning from mistakes and moving on comes from the legendary Tar Heel coach Dean Smith: "What to do with a mistake? Recognize it. Admit it. Learn from it. Forget it."

Unfortunately, that is easier said than done, particularly in managing finances. The phenomenon of letting a past mistake overly influence a current decision, and convincing you to make another poor decision, is so common that it has a name… the "sunk cost fallacy."



You see it all the time when people go to sell a house, a car, a stock or any asset. One of the first things they do is compare the proposed sale price to what they paid for the asset. While, of course, there are some implications for taxes, the price you paid for an asset has nothing to do with what it is worth today. "If I can just get back what I paid for this" is a perfect example of the sunk cost fallacy at work. You should sell the asset at today's fair price if you have better uses for the proceeds. Period. It does not matter what you paid for it. The buyer doesn't care, and the price today wasn't determined based on what you paid years ago.

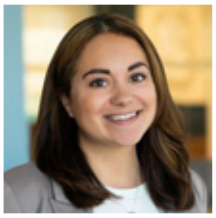
We also see this in sticking to a budget, both in finance as well as in calories. We talked

last month about how we all deviate from the best made plans from time to time. So, you overspent for the holidays, or you had far too many cinnamon roll snickerdoodles (my personal favorite Ann Michael Maye recipe). What influence does that have on your choices today? These are all in the past and don't define what you can and should do today – they are all sunk costs.

Learn to identify sunk costs. Fight the temptation to let yesterday's decisions define what's right today. Take Dean Smith's advice. And be like Christian Gonzalez in the 4th quarter - an even better version of you!



DEMYSTIFYING Tax-Loss Harvesting and Sunk Costs



By Ariel Fortunato
Strategic Advisor, Brown Advisory

No one likes losing. When you've put time, money or energy into something, it's natural to want to stick with it. Economists call these ***sunk costs*** — resources you've already spent and cannot recover. When sunk costs drive behavior, it's known as the **sunk cost fallacy** – the tendency to stick with something just because you've already invested so much into it, even if walking away would be more beneficial.

In investing, holding a declining position simply because "you already put money into it" can make the damage worse. Letting go at the right time can limit the risk of further losses and can also create potential tax benefits elsewhere in your portfolio.
Let's demystify ***tax-loss harvesting*** as a strategy to manage sunk costs. At its core, it's straightforward:

Tax-Loss Harvesting:



1. Sell an investment that has gone down in value. This creates a realized loss.
2. Use those realized losses to offset gains elsewhere in the portfolio, thereby reducing capital gains tax.

Caveat: Buying the same or a very similar investment within 30 days of selling it at a loss can trigger the wash-sale rule and disallow the loss.

If total losses for the year exceed total gains, up to $3,000 can typically offset ordinary income, with the rest carried forward under current IRS rules.

Not every loss should be realized. Transaction costs, diversification, risk and your overall strategy all matter — and personal tax situations vary and evolve. Think of tax-loss harvesting as a basic tool in the toolbox. You realize a loss now so, at tax time, it can offset gains from other investments.

Bottom line: While a loss is never ideal, realizing it can sometimes play a constructive role in improving the overall after-tax picture of a portfolio.

(For educational purposes only; not investment, tax, or legal advice.)



The day begins like any other; students shuffle in as I prime them for the lesson. I start with a simple story, and a simpler question:

- You've spent $300 for tickets to see your favorite artist.
- The tickets are non-refundable and non-transferable.
- On the concert night, there is a massive blizzard.
- Do you still go?

I hear rationale for still going versus canceling, but that's not what I'm really interested in. What I'm really interested in is the answer to this question:

- What if the tickets were a prize from a magazine.
- You didn't pay a dime for them.
- Does your answer change?

The number of students who still want to attend the concert drops, why?

- "I don't want to waste $300, but it's ok to skip if they were free."

And just like that, those who have changed their answer have fallen for the sunk cost fallacy. I understand the temptation; I don't enjoy wasting money, and I want to feel like I'm getting my money's worth out of life.

The fallacy occurs because these unrecoverable costs are *sunk costs*, this is key. Because they are unrecoverable, sunk costs should not enter your decision calculus. There's no use crying over spilled milk, and there's no use letting spilled milk influence your next decision. Yet, people often let sunk costs influence their decision making.

Once it's the night of the concert, how much you've paid for the ticket no longer matters. The only relevant factors are how much you'll enjoy the concert and the risk of driving in the blizzard. Whatever you choose, you won't recover any money from the ticket. Thus, your answer should not change based on the ticket price!

The consequences of sunk cost thinking extend far beyond concert halls. At inception, £160 million was budgeted to create the *Concorde* jet. However, engineers quickly realized there were several challenges with supersonic flight that would require significantly more investment for very little return.



At this stage, the *Concorde* was no longer economically viable and should have been abandoned. The gains from continuing and finishing the project were smaller than the astronomical cost. Yet, the French and British governments poured an additional £1.2 billion into the project. They felt that they should press on. Why?

People tend to be *loss averse*; they want to avoid experiencing losses. It seems reasonable, but sometimes we must face short-term losses to prevent long-term mistakes. We continue when we shouldn't because staying "in progress" shields us from the immediate pain of acknowledging sunk costs. Scrapping the *Concorde* would require the French and British to admit the loss of £160 million, but would have prevented them from losing the additional £1.2 billion.

Students sometimes ask, “If I’m considering whether or not to finish my degree, you’re really saying it doesn’t matter whether I’ve completed one semester or six semesters?”

Here is where it gets tricky. You shouldn’t let tuition you’ve already paid enter your decision calculus. These are sunk costs. However, you do need to consider “How many semesters do I have left to finish my degree?” You should only let what you’ve invested enter your decision calculus when you consider “How much more needs to be invested to finish the degree?”

Let’s map out the decision for both cases, assuming the total cost per semester is $10,000.

Student with 1 of 8 semesters completed	Student with 6 of 8 semesters completed	
Has paid $10,000	Has paid $60,000	These are sunk costs that should be ignored
To complete degree must pay $70,000 more	To complete degree must pay $20,000 more	These are the costs the students, respectively, should consider
Should only complete degree if the lifetime benefit is more than $70,000	Should only complete degree if the lifetime benefit is more than $20,000	

The tipping point for the student who has completed six semesters is lower than for the student who has only completed one semester, because the present cost to finish the degree is lower for the student who has completed six semesters!

So how can you avoid falling for the sunk cost fallacy, and make better decisions?

1. Look to the future, and ask yourself, “If I were starting fresh today, what would I choose?”
2. Identify sunk cost fallacies in your thinking such as “I don’t want money I spent to go to waste,” or, “it’s already spent, so I might as well.”
3. Map out decisions, identifying and ignoring sunk costs.
4. Seek outside perspectives. Find someone you trust who doesn’t have the same level of emotional investment in that decision and can see the tradeoffs more clearly.
5. Give yourself grace, recognize that the sunk cost fallacy is not a personal failure, it is a human instinct.
6. Recognize and reframe quitting or stopping as re-optimizing. Changing course is not a failure, it is reaching a better destination.

If you’ve let the sunk cost fallacy cloud your judgement in the past, that doesn’t mean you have to stick with it. The past is gone; the future is yours!

STUCK IN A BAD FINANCIAL CHOICE?

A practical guide on how to change direction



By Tashara Brown
Chief Executive Officer
Common Wealth Charlotte

It is safe to say that we all have been there, made a financial decision that we thought made sense at the time but turned out to be a bad decision. Whether it was a bad investment, a home we cannot truly afford, a car payment that is too high, loaning money to a family member or friend, or credit card debt, the biggest mistake is waiting too long to walk away.

Here is a practical guide on when to determine whether to continue or exit the situation, along with steps to help provide an exit.

Moving forward with a financial decision is smart only if it does not cost you stability, quality of life and upward mobility. It is very important to look at facts, not hope. Truth, not denial. Once you come into a place of clarity and truth, you can make the right decision on how to proceed with the next step. Here are some reasons to reconsider a financial decision:



- **It cost you your peace.** Any financial decision should come with a sense of calm, not constant worry about whether you can keep up with the payments or recover the money.
- **There is no improvement in the situation.** It continues to get worse or you are getting deeper into debt to maintain that decision.
- **You are transferring debt.** You are using other debt (credit cards, loans, etc.) to support that decision. In other words, you are

using new debt to support old debt.

Here is one question to ask yourself - “If I knew then what I know now, would I still make the same decision?” If the answer is no, then remaining on that path will only amplify the problem.

Now that we have clarity on where the financial choice lands on the scale of good or bad, here are some practical solutions to help you overcome:

1. **Assess the situation**. What is the total amount spent, how much is left, what parties are involved, how is this financial decision affecting you in other areas?

2. **Stop the sunk cost entrapment**. The quickest way to fall deeper into the bad decision is to be stuck on what was lost. The sunk cost is money that has already been spent. You want to acknowledge the amount but not stay in a place of dwelling on what was lost. Often, we stay in a bad investment or financial decision because of the amount of money that has been put into it and feel like we have to see it through. In this case we have to come to terms with the loss and accept it.

3. **Pause the damage before fixing it**. Depending on the situation you can either:



- **Pause payments.** Certain lenders offer the option to defer a payment or skip one entirely, with the balance shifted to the end of the loan. These arrangements are typically classified as hardship options.
- **Stop using the card or the account.**
- **Stop nonessential spending.**

By determining the best route to pause the damage it gives you some room for clarity. Often when we are dealing with a bad financial decision and we are not in a clear headspace, it can increase decision making that will gear towards creating more debt. Decisions made in panic can lead to predatory lending or financial decisions that will provide ease in the moment but increase damage in the long run.

4. **Create the exit strategy.** There are different exit strategies for different types of debt.

- **Paydown Exit:** This is best when the debt is manageable, but it’s overwhelming. You can call and negotiate lower interest rates, consolidate multiple debt accounts to a lower APR, negotiate a restructured payment plan, negotiate a debt settlement (an amount less than total owed), or use a paydown method (snowball or avalanche).
- **Liquidation:** This is the best option if you have something that is draining your income. You can sell the vehicle, downsize to a smaller home, sell luxury items.

Often pride can lend to long-term effects.

- **Stop Lending money:** It is ok to say no. In this case offer support that is not tied to finances or set a fixed amount and do not exceed it. Supporting others should not put you in financial depletion.
- **Legal Reset (this is a last resort but valid):** This is best when debt is unmanageable. This can look like debt settlement or bankruptcy. This is not failure, this is like financial triage.

It is always best to seek a professional financial counselor before finalizing a decision. Based on the debt, some decisions are better than others. Financial counselors can help create a debt management plan.



Now that you have determined and begun the best plan you must **Reset, Redirect and Reflect.** An exit without new direction creates the same problem. The goal is not just relief, it's momentum. Select a stabilizing move that will propel you in a new direction.

You can:

- **Reduce monthly obligations.** Cancel subscriptions, reduce spending in areas that you are able (this is temporary not forever).
- **Begin to build a savings habit.** This can begin as a small amount that grows over time. Consistency turns small wins into major breakthroughs. This is not a race, it's a marathon.

Recognize the lesson in the matter. Before completely closing the chapter, reflect on what assumptions were wrong, were there warning signs you ignored and what was the emotion that led to the decision. Next, establish a personal rule that will protect you from repeating this financial mistake. This could include setting limits on monthly payments, capping the amount you lend to others, waiting 24-48 hours before making a major purchase, or speaking with a financial counselor. With these in place, it helps protect your future.

Cutting your losses and redirecting in a healthy way is often the moment things start to get better. Exiting a bad financial choice is not quitting, it's where clarity meets financial health and stability.

FINANCIAL LITERACY

TIPS FOR TEENS



Subscriptions, Sunk Costs and Smarter Spending

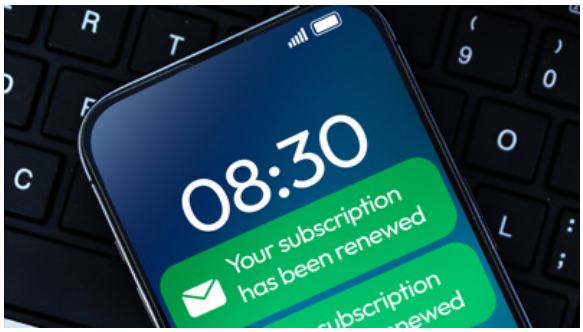




By Jessica Chan
Head of Trim by OneMain

Subscriptions and recurring charges have become a normal part of everyday life. From streaming services and gym memberships to mobile apps and cloud storage, many expenses run quietly in the background, renewing month after month. Over time, it's easy to lose track of what you're actually using — and what you're paying for simply out of habit.

That matters more than ever for North Carolina households. A 2025 United For ALICE and United Way of North Carolina report found that 42% of North Carolina households struggle to afford basic living expenses, even when earning above the poverty line. When budgets are tight, unused subscriptions can quietly siphon off money that's needed elsewhere.



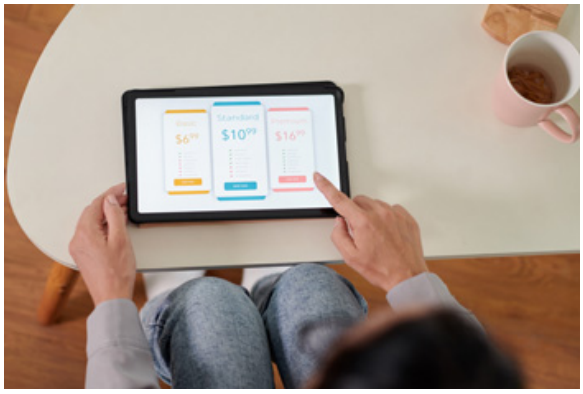
If you're looking to cut costs, you might wonder, "*Should I stop paying for services I no longer need?*" The short answer is yes. But the decision is often more emotional than practical.

Why We Keep Paying for Things We Don't Use

Many people think, "I've already paid for it, so I might as well keep it," even if a service no longer provides value. Canceling can feel like admitting you've wasted money.

In reality, past spending is already gone. The only question that matters is the **future value** of a service, i.e., whether it is worth paying for going forward. Making this mindset shift will help to reframe cancellations as smart financial decisions rather than losses.

Cutting costs doesn't mean eliminating essentials. Services like health care, insurance, utilities or tools you rely on daily should be evaluated differently. The focus should be on distinguishing needs versus wants and identifying expenses that no longer serve your needs.



Knowing What You're Paying For

The first step toward cutting costs is visibility. Many subscriptions renew automatically, and smaller charges — like mobile apps or niche services — can slip under the radar.

Subscription-tracking tools like Trim by OneMain can help. Trim monitors spending, tracks subscriptions and highlights forgotten free trials or unexpected price increases. For OneMain Financial customers, additional tools are available, including subscription cancellations, bill negotiation services and access to your Vantage credit score.

Trim helped OneMain Financial customers save more than $4 million in 2025, with customers saving an average of $180 in their first year.

The key is to know what you're paying for and check charges regularly to avoid surprises.

The Subscriptions People Often Overlook

Not all subscriptions are obvious. Many of the most overlooked charges are small, mobile-based or bundled into app stores. Common examples include:

- App subscriptions
- Cloud storage or software auto-renewals
- Food or grocery delivery memberships
- Digital news subscriptions, magazines or niche newsletters
- In-app purchases billed through Apple/Google accounts

Review your bill carefully and keep an eye out for these small recurring charges — they really add up.

Practical Ways to Reduce Costs

Once you know what you're paying for, there are several ways you can identify and reduce unnecessary spending:

- **Negotiate recurring bills:** Telecom and internet providers often offer discounts or one-time credits to retain customers.
- **Cancel services you don't use:** Some subscriptions, like gyms or long-term contracts, can be difficult to cancel. Using tools or services that assist with cancellations can save time and frustration.
- **Request prorated refunds for unused services:** Many providers will credit unused months if you've prepaid for an annual or fixed-term plan.
- **Consolidate plans for households:** Family or multi-user plans are usually cheaper than maintaining multiple individual accounts.
- **Leverage benefits you already have:** Credit cards, employers or memberships sometimes include complimentary access to services you may be paying for elsewhere.
- **Set a monthly review reminder:** Checking recuring charges regularly ensures you catch increases, duplications or changes before they become costly.



Making Intentional Decisions

Stopping payments for unused services is about aligning spending and actual value. By focusing on future benefits rather than past costs, you reclaim control over your money. Canceling a subscription you don't use isn't a loss — it's a step toward smarter, more intentional spending.

Please visit the OneMain website to learn more about Trim and our other tools for helping hardworking Americans improve their financial well-being, including Credit Worthy by OneMain. Credit Worthy is a free financial education program for high school students that teaches the importance of building good credit. It has been taught in more than 200 North Carolina high schools in the last five years, helping 23,000 students.



Don't Let Past Choices Control Your Retirement Future!



By Peter Richon
Financial Advisor
Richon Planning

By the time we reach retirement age, almost everyone has made more than a handful of financial mistakes.

I was once in a restaurant when I saw a young child spill a drink. The child's face immediately melted into tears. His father, however, remained calm. I think I will remember the father's next words forever.



"Life isn't about not making messes. Messes happen. It's about how you clean them up."

The child's tears dried up as his dad coached him through gathering napkins and cleaning up the spilled drink.

Too often, when it comes to our finances, we don't clean up our messes at all. Instead, we wallow in them. We relive them, repeat them, and far too often, we continue committing the same actions that created them in the first place. In extreme cases, we may even find ourselves buried by them — much like an episode of *Hoarders*.

Also like *Hoarders*, the root cause of many financial mistakes is psychological. These problems often originate from a mindset we either can't — or choose not to — overcome.

One common example is the belief, "I can't start saving now. It's too late for me." In reality, it is never too late to move in a more positive direction. What you do today can still make a meaningful difference.

In our office, we have a saying: "Someday starts today." It serves as a reminder that the decisions we make now prepare us — or fail to prepare us — for the future we want to achieve.

There are several other financial mindset traps I commonly see people fall into.

One is the “Saver’s mindset,” where someone says, “I lost money once, and I don’t want to take that risk again,” convincing themselves to miss out entirely on the potential for growth that investing can offer.

Another is the “Debt mindset,” which assumes it is impossible to get ahead and that living with perpetual debt is simply a fact of life. The wrong kind of debt — especially high-interest credit card debt at 18 to 24% or more — certainly makes financial progress difficult. But it is often the mindset that insists this is unavoidable that truly keeps people stuck.



“I was never taught about money” is another belief that can hold people back. This mindset may prevent individuals from talking with their families, children, or loved ones about important financial lessons they have learned — both good and bad.

Similarly, “never keeping a budget” is sometimes worn as a badge of honor because people don’t want to feel “controlled” by spending limits. In reality, failing to control a budget more often guarantees being controlled and limited by finances later, especially in retirement when paycheck-earning years are behind us.

Other common mindsets include “I don’t want to face my own inevitable demise,” which leads people to ignore essential estate planning and legal documents, and, “I’m not the one who handles the finances,” which excuses individuals from taking responsibility altogether. Both can leave loved ones in the dark and result in unintended and unfavorable consequences.

Many of these issues can be corrected. With effort and intention, we can change our mindset and clean up our messes.

Some decisions, however, create messes that are far harder to fix.

One of the biggest, most common, and most impactful financial mistakes that can haunt people throughout retirement — and even beyond their lifetime — is rushing to claim Social Security benefits early. There are circumstances where claiming early is a thoughtful and appropriate decision. More often, however, it is made with little understanding of how the system works and driven by the mindset, “I’m short on cash today, so I might as well start my Social Security now.”

Unfortunately, this decision typically does not improve a cash-flow problem. Instead, it often makes the situation permanent.

Claiming Social Security early can
significantly reduce lifetime income,

trigger penalties for continuing to work and earning above income limits before Full Retirement Age, and lower potential spousal and survivor benefits. Additionally, if Social Security is ever forced to implement system-wide benefit reductions, those who already locked in a reduced benefit may see those cuts compounded.



Unlike a spilled drink, this is not a mess that can be easily cleaned up. Many people look back years later wishing they had delayed their claiming decision. After the first year, the choice is irreversible.

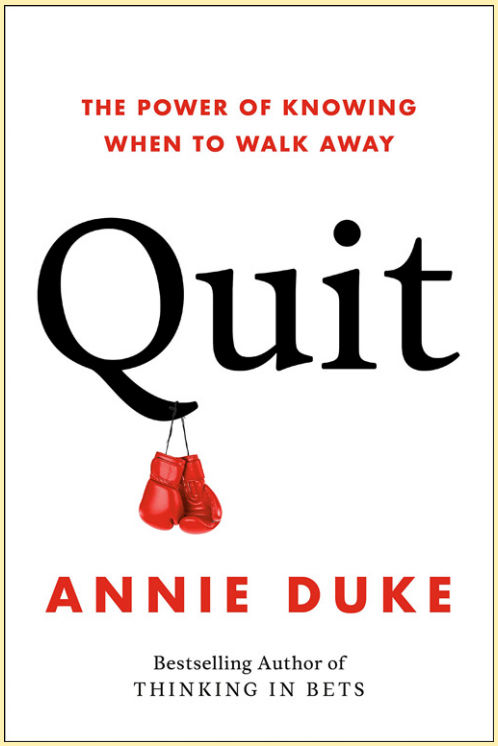
It's often said that smart people learn from their own mistakes. In retirement, however, we don't always have the time — or luxury — to do so. The decisions we make often carry lifelong consequences.

Before retirement, take time to examine your mindset and assumptions. Clean up what you can, and avoid future messes by making decisions grounded in thoughtful, long-term planning.

Recommended Reading: Quit: The Power of Knowing When to Walk Away

Brad's recommended reading for this month is Annie Duke's "Quit: The Power of Knowing When to Walk Away."

This book talks about how quitting is a strategy for success — even though it is not always an easy choice. This is true in everything from finances to sports to entertainment. You can purchase the book here or borrow it here.





Financial Literacy in Action

Treasurer Briner had the opportunity to speak with students at High Point University about financial literacy in January. Lots of insightful questions and hopefully some future interns. [Click here if you would like Brad to speak to your group about financial literacy.]





For Teens:

What is Sunk Cost?

- A. Loss of money.
- B. Loss of time, money or effort you've already spent that you can't get back.
- C. Loss of money that you can never get back.

You've spent weeks on your English essay, but realize you wrote about the wrong topic. You still have time to switch. What is the Sunk Cost?



- A. The time you already spent on the essay.
- B. The time and effort to write a new essay.
- C. The lower grade you'll receive when you turn in your essay.

What is an example of Sunk Cost Fallacy?

- A. Paying $20 for a cheesy murder mystery movie and wanting to see the end.
- B. Quitting a sport you've played since childhood and finding another to invest your time in.
- C. Sticking to your major, even though you're no longer interested anymore, because you spent so much money on tuition and books.

For Adults:

What are ways to overcome the Sunk Cost Fallacy mindset?

- A. Putting sticky notes around your home and at work, creating reminders in your phone and looking into the mirror every day, telling yourself: "You're poor, stop spending money."
- B. Build creative tension, track your investments/opportunity costs, let go of personal attachments, practice mindfulness, admit your mistakes and look ahead to the future.
- C. Creating a goal, admitting your past mistakes, consider the opportunity cost, act logically, practice budgeting and focus on having a fixed mindset.

What is the difference between Sunk Cost Fallacy and Sunk Cost?

- A. Sunk Cost Fallacy is a past expense; Sunk Cost is the poor reasoning about it.
- B. Sunk Cost and Sunk Cost Fallacy are the same.
- C. Sunk Cost is a past expense; Sunk Cost Fallacy is poor reasoning about it.

Which statement demonstrates correct reasoning?

- A. "I need to keep going, I've invested so much time I can't quit."
- B. "The time I spent doesn't matter if continuing isn't beneficial to me anymore."
- C. "My past efforts will guarantee me future success."

Click here for the answers.

Sources:

What Is the Sunk Cost Fallacy? And How to Avoid It in 5 Steps
7 Ways to Overcome the Sunk Cost Fallacy Mindset | Develop Good Habits
What Is the Sunk Cost Fallacy? | Definition & Examples
What Is a Sunk Cost—and the Sunk Cost Fallacy?
Sunk cost Facts for Kids

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