Run April 1

The power of a penny

National One Cent Day is celebrated on April 1 every year. A cent is one hundredth of a dollar, such a small amount that people don’t pay any attention to it. Our penny has been in existence since 1787, but has recently been marked for extinction. After 2020, it will no longer be minted. However, it has a great significance to both saving and buying.

There is a psychological power associated with the penny. Have you noticed that consumer goods are priced at $9.99 or $29.99? Why not just say $10 or $30?

Researchers found that prices ending in .99 communicate “low price” to consumers. The one-cent difference between prices ending in .99 and .00 changes what you buy with items whose prices ending with .99 outselling those ending at .00.

The psychological effect of adding 99-cent to the dollar value works wonders for prices like $99.99, $89.99, $79.99, and $69.99. We look at it and think that the product hasn’t reached the next threshold (100, 90, 80, 70) and decide the item must be a steal.

Researchers found that when the price of margarine dropped from 89 cents to 71 cents at a grocery store, sales improved 65 percent. When the price fell to 69 cents, sales rose 222 percent. A two cent decrease in price resulted in more than triple the sales.
When retailers price items with a figure ending in 9, the simple reason is to make the price seem lower. That is the power of a penny in spending.

But how can it change your savings patterns? Think first of how many pennies do you have in your pocket or purse? I’ll bet you’re carrying more pennies than you will actually use today, or tomorrow, or the next day. So they are discarded or thrown in a jar, where they are forgotten. Many of these coins are finding their way out of the money system, but can create financial security if added to savings.

Pennies (and other coins) are in the bottom of your purse, in a jar on a shelf, or even dotting the parking lots. Most people would rather hand a store clerk only bills for a purchase, rather than count out change. It’s faster and easier, however, that means the clerk is going to hand you more pennies as change. This cycle repeats itself and pennies simply build up. Check your piggy bank. What’s the most common coin in it?

On national one cent day, take a few minutes to think about the power of a penny. Every time you spend 99 cents on something, save that penny. Put it in a jar, but don’t forget it. When the jar fills, take it to the bank and turn it into a savings account.

Pennies seem to be almost below our consideration, you know you can’t buy anything for a penny. But you might be surprised at how much this out of circulation money adds up to. This is change that’s fallen between people’s couch cushions or has sat in their change jars for years. Experts estimate that out of circulation coins total at least $10 billion. That is a lot of money that has been forgotten.

So the idea is to save those stray pennies and coins, but periodically to empty the jar and add the money in your savings account. You might only have a couple of cents to put in each day but before you know it, the amount in that change jar will start growing.

There is a power to the penny. It changes both what we spend and can be a force to increase our savings.

Happy One Cent Day!

Roxie Rodgers Dinstel is a professor of extension on the Tanana District Extension Faculty. Questions or column requests can be e-mailed to her at rrdinstel@alaska.edu or by calling 907-474-2426. The Cooperative Extension Service is part of the University of Alaska Fairbanks, working in cooperation with the U.S. Department of Agriculture.