WELLNESSMONTHLY

Investing in Your Financial Well-being | **April 2022**

Investing in Your Financial Well-being

Financial woes can affect your physical and mental health, personal relationships, and the ability to enjoy life now and plan for the future.

The Consumer Financial Protection Bureau defines financial well-being as "a condition wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life." Financial health is generally associated with money management, while financial wellness describes a person's emotional relationship with money.

Related aspects of financial well-being include:

- Control over day-to-day, month-to-month finances
- Capacity to absorb a financial shock
- On track to meet financial goals

In the workplace, studies show employees with a strong sense of financial well-being tend to be more productive and have higher job satisfaction than those who have a weak sense of financial well-being. A 2019 Prudential survey of 2,000 employed Americans found that health and financial wellness programs have a positive impact on mental health. These findings are linked to lower health care costs and reduced rates of work absence, workforce turnover and employee disability.

Conversely, there are negative consequences associated with low financial well-being. For example, studies show:

- Debt, and poor communication about it, causes anxiety and other stress-related symptoms.
- Arguments about money are a leading cause of relationship breakups and divorce.
- There is a strong correlation between money problems and criminal activity.
- People struggling to make ends meet tend to cut corners on nutrition, sleep and exercise.
- People who are preoccupied by their financial concerns are less productive.

Finding a Comfort Zone

Large segments of the U.S. population are financially vulnerable, and many people feel uncomfortable talking about money and financial planning regardless of their income level. It's possible to have highly rated financial health but a low sense of financial well-being

– and vice versa – depending on the circumstances and a person's attitude about money.

Here are some questions to ask yourself when assessing your financial comfort level:

1. Is my job financially and emotionally rewarding? If not, what steps can I take to redirect my educational and/or career path to achieve better balance?
2. Do I have a realistic weekly or monthly budget that I refer to on a consistent basis?
3. How much money do I owe and where do I owe it?
4. How can I reduce/pay off debt or better manage payment cycles?
5. What types of savings or investment plans do I need to have in place? For example, am I prepared for a college education, expenses such as a car, housing, wedding, children or vacation? Am I saving at the right pace for retirement? Do I have enough money set aside for emergencies?
6. Should I consult with a financial planner or other expert, or do I have the knowledge required to achieve and sustain financial well-being?

There are opportunities across all socio-economic groups to improve and enjoy financial well-being, according to Anson Vuon, a managing partner at Gallup, which publishes a well-being index and has done extensive research on financial well-being. Ronny Miller with Gallup suggests the following when undertaking a financial well-being makeover:

1. Create a budget and refer to it when deciding how to spend and when to save money.
2. Develop a debt-management plan. This differs from a budget because it focuses on reducing and/or eliminating consumer (non-mortgage) debt to promote financial stability.
3. Use a "fortress balance sheet" based on expenses instead of income to avoid accruing debt in the event of a job loss or other significant event affecting income. Financial security requires at least three months of savings for individuals and six months for families, experts say.
4. Save for the long term. A rule of thumb is dedicating 15 percent of gross income to a retirement fund.
5. Donate money to organizations or causes that have meaning for you. "Paying it forward" is closely associated with feelings of gratitude, compassion and self-acceptance.

Accessing Resources

There are many resources available that provide insights on ways to create a budget, invest and shop wisely, reduce monthly expenses, renegotiate credit agreements and other approaches to money management. For those who are employed by a company, *Consumer Reports* recommends starting with your employer's human resources department, which is likely to offer access to free or low-cost financial planning assistance.

Low-hanging fruit includes taking immediate steps to lower credit card debt, and if you are encumbered by student loans, investigating avenues to help relieve them, such as public service loan forgiveness. *Consumer Reports* also recommends making adjustments in retirement savings.

Finally, the Consumer Financial Protection Bureau offers 25 tips to improve your financial well-being. One of the 25 tips is to set SMART financial goals that are specific, measurable, achievable, relevant and time-bound. This approach helps provide a foundation for most of the other tips on the bureau's list.

Did You Know?

April is National Financial Literacy Month. Financial literacy means having the knowledge and competence you need to effectively manage your finances and reach meaningful goals. Here are a few related resources: MoneyFit, Next Gen Personal Finances, Consolidated Credit and JumpStart!