

# Health tip: Financial well-being

Stress about money and finances may have a significant impact on Americans. Nearly 72% of adults report feeling stressed about money at least some of the time and nearly 25% say they experience extreme stress about money.<sup>1</sup>

The American Psychological Association (APA) recognizes financial stress as the leading cause of unhealthy behaviors like smoking, weight gain, and alcohol and drug abuse. Other behaviors linked to financial stress are gambling and overextending credit balances. Each time an individual turns to these temporary stress relievers, the APA concludes that the stress returns and often at even greater intensity.<sup>2</sup>

## Financial well-being defined

There are many definitions for financial well-being, but the definition that seems to capture it best is that financial well-being is a state of being 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.<sup>3</sup> Other definitions may include feeling in control financially, the capacity to absorb a financial set-back, being on track to meet financial goals, or having the flexibility to make choices with your money.

## Financial distress

Let's take a look at what financial distress may look like. Here are some questions to ask yourself that may indicate warning signs of financial distress.<sup>4</sup>

- Are you withdrawing loans against your retirement savings?
- Are you having preventable medical issues that could have been avoided, but you didn't go to the doctor because of cost?
- Are you asking for payday advances?
- Are you missing work with unexpected absences?
- Are you spending time dealing with personal finances while at work?

## Keep an eye on your credit score

There are many options available to get your credit score. You may check with your bank, your credit card company or other sources such as Credit Karma® and [annualcreditreport.com](https://www.annualcreditreport.com). One of the most important things you can do to improve your credit score is pay your bills by the due date. You can set up automatic payments from your bank account to help you pay on time, but be sure you have enough money in your account to avoid overdraft fees.

## Understand how your credit score is determined<sup>5</sup>

- Do you pay your bills on time?
- What is your outstanding debt?
- How long is your credit history?
- Have you applied for new credit recently?
- How many and what types of credit accounts do you have?

## What your FICO® credit score means<sup>6</sup>

You can think of a FICO Score as a summary of your credit report. This number measures how long you have had credit, how much credit you have, how much of your available credit is being used, and if it is being paid on time. FICO scores generally range from 300 to 850, though industry-specific FICO scores have a slightly broader 250 – 900 score. Higher FICO scores demonstrate lower credit risk, and lower FICO scores demonstrate higher credit risk.

In general, many lenders find scores above 670 as indicating good credit. However, what's considered a "good" FICO score may vary by lender. For example, one lender may offer its lowest interest rates to people with FICO scores above 730, while another lender only offers its lowest interest rates to people with FICO scores above 760.

The higher your FICO scores, the better.

FICO® Credit Score	
Exceptional	800+
Very Good	740 – 799
Good	670 – 739
Fair	580 – 669
Poor	<580

## The 5 fundamentals of financial well-being

### Budget

Don't have a budget? No worries. Here are 4 steps to help you get started. Once you've got the hang of it, your finances may be easier to manage and you may have a better chance of achieving your short- and long-term financial goals.

**Step 1:** Figure out your goals.

**Step 2:** Calculate your income and expenses.

**Step 3:** See what's left.

**Step 4:** Monitor your budget.

Financial well-being is more than setting limits and sticking to a goal, it can also be about allowing yourself to benefit from the money that you make. It is okay to enjoy your money and splurge now and then, just remember to save wisely so you can spend happily.

### Save for emergencies

- Expect the unexpected and plan for financial emergencies
- A good rule of thumb is to have a minimum of **6 months** of living expenses in your savings account
- Accumulating a "rainy day" fund will be a slow process, but every little bit counts

### Seek guidance

A financial planner may help you develop an overall strategy for approaching your financial goals that not only anticipates what you'll need to do to reach them, but that remains flexible enough to accommodate your evolving financial needs. If you are hoping to buy a home, send your children to college or have a secure retirement, it is best to begin saving and planning as soon as possible.

### Plan for retirement

- Establish your retirement needs and goals
- Save early and often
- Establish the proper retirement savings accounts
- Stay healthy

### Watch your credit score

Your credit is only as good as its score and its accuracy. Make sure you pay your bills on time, focus on paying off the high-interest credit card while at least making the minimum payments on your other cards, and check annually for any inaccuracies or fraud that may be lowering your score.



<sup>1</sup> American Psychological Association, Stress in America™ Paying with Our Health, <https://www.apa.org/news/press/releases/stress/2014/stress-report.pdf>, accessed October 2021.

<sup>2</sup> American Psychological Association, Stress in America™ Paying with Our Health, <https://www.apa.org/news/press/releases/stress/2014/stress-report.pdf>, accessed October 2021.

<sup>3</sup> Consumer Financial Protection Bureau, Financial Well-Being in America, [https://files.consumerfinance.gov/f/documents/201709\\_cfpb\\_financial-well-being-in-America.pdf](https://files.consumerfinance.gov/f/documents/201709_cfpb_financial-well-being-in-America.pdf), accessed October 2021.

<sup>4</sup> Purchasing Power, Look out for these 5 Signs of Employee Financial Stress, <https://corp.purchasingpower.com/article/look-out-these-5-signs-employee-financial-stress>, accessed October 2021.

<sup>5</sup> The Federal Reserve, Credit Reports and Credit Scores, [https://www.federalreserve.gov/credireports/pdf/credit\\_reports\\_scores\\_2.pdf](https://www.federalreserve.gov/credireports/pdf/credit_reports_scores_2.pdf), accessed October 2021.

<sup>6</sup> MyFICO, [www.myfico.com](http://www.myfico.com); October 2021. FICO is a registered trademark of Fair Isaac Corporation.