



# An Annual Financial Wellness Check-up

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To paraphrase an unexpectedly profound line from a Kanye West song, “having money’s not everything, but not having it is.” This captures the stress many people feel with managing money and just how consuming financial uncertainty can be. Finances are a common concern, and financial wellness is an important part of overall well-being. Reduce your financial stress with a financial wellness check-up.

## **Financial Wellness, Stress & Well-Being**

Stress can have a significant impact on our physical and mental health, and for many people money is a top stressor. The American Psychological Association’s annual “Stress in America” survey consistently identifies finances as a top concern. Most recently, 61% of adults said that money is a significant source of stress in their life.<sup>1</sup>

As many other studies have shown, stress has very real consequences on health and well-being. Amid the documented increase of depression symptoms during COVID-19, people experiencing financial insecurity were at greater risk.<sup>2</sup> The chronic stress associated with money also impacts physical health. Specifically, financial stress has been linked to increased risk of problems like migraines, poor sleep, [high blood pressure](#), heart attacks and digestive issues.<sup>3</sup>

Considering these connections, financial wellness is an important part of overall health and well-being.

## **Budget**

Knowing where money is going is the first and most important step to improving financial wellness. The pandemic has upended the finances and spending of nearly everyone. For many this meant reduced income. For others, their spending habits changed. Perhaps that meant spending less on travel or in-person activities like movies or dining. Maybe it meant spending more on monthly streaming subscriptions, online shopping or food delivery. Likely, it’s both.

A lot of stress can come from that feeling of working hard all month, but not making progress toward financial goals. A budget can help identify spending, evaluate wants versus needs, and set up savings.

Start by identifying monthly expenses week by week. This includes everything from large expenses like housing, utilities and student loans to gas, entertainment and cell phone bills. The Consumer Financial Protection Bureau offers a helpful [spending tracker](#).

Many financial experts suggest a “50/30/20” budget goal, meaning income is divided into three categories: 50% for needs, 30% for wants and 20% for savings and debt. “Needs,” the biggest portion, are unavoidable costs like

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<sup>1</sup> [American Psychological Association](#), “Stress in America 2021”

<sup>2</sup> [Journal of the American Medical Association](#), “Prevalence of Depression Symptoms in US Adults Before and During the COVID-19 Pandemic”

<sup>3</sup> [MarketWatch](#), “This Is the No. 1 Reason Americans Are So Stressed Out”

housing, food and utilities. There's still some flexibility on how to spend here. Many people need a car, but few people *need* a flashy sports car. These decisions can help decide how best to divvy up limited funds.<sup>4</sup>

The 30% “wants” category includes optional expenses like hobbies, travel, entertainment and dining. The line between needs and wants can be blurry. Take a trendy—and pricey—gym membership for instance. Exercise is an important part of wellness and could be considered a need, but a jog through a local park or [simple at-home exercises](#) are undeniably more cost effective than the gym. However, if fitness is a passion and you're willing to spend less on something else, then maybe that membership is a worthwhile expense for you. Budgets shouldn't be entirely restrictive. They should identify where money isn't being spent effectively and help redirect spending to what brings you value.

The last category is savings and debt (20%). Depending on your situation, this could include saving for a large purchase, building an emergency fund, preparing for retirement, paying down high interest debt sooner or a combination. As we'll discuss, having a comfortable savings can help weather uncertain times or unexpected hardship like a job loss. Paying off high interest debt like credit cards will also save money over the long-term since interest and fees will be lower.

### **Savings**

The next part of financial wellness is to build savings. Experts recommend prioritizing this over paying extra toward high interest debt (aside from minimum monthly payments) since an emergency fund helps to pay for unexpected expenses and helps avoid additional debt. Recommended emergency fund amounts vary. Three to six months of living costs is a common suggestion to protect against a loss of income and keep finances stable (how much is three to six months of expenses? Consult your budget!). Even if several months of expenses isn't a practical goal right now, setting aside any amount makes a difference and starts the habit.<sup>5</sup>

As with other aspects of wellness, developing a saving habit can be difficult at first, but gets easier with practice. Watching the account grow helps encourage that behavior. There are even options to automate saving. Some debit cards round up purchases to the nearest dollar and deposit the change in a savings account. Most banks offer recurring transfers that will move money from checking to savings accounts automatically. This is a particularly good option if you have a regular income.<sup>6</sup>

### **Retirement**

Depending on your situation, retirement may seem a distant milestone or a frighteningly close deadline. If your financial situation allows it, saving early for retirement can, well, pay dividends in the future. Retirement savings or investment accounts are designed to help that money grow during the working years to help pay for retirement.

Many employers sponsor retirement savings plans like a 401k and will often match a portion of your contributions. Since 401k contributions are pre-tax, there's the added benefit of reducing the amount you will

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<sup>4</sup> [NerdWallet](#), “Budget Calculator”

<sup>5</sup> [You Need A Budget](#), “Which Comes First: Emergency Fund or Pay Off Debt?”

<sup>6</sup> [Consumer Financial Protection Bureau](#), “An Essential Guide to Building an Emergency Fund”

owe in income tax. If your employer doesn't offer a 401k, or if you'd like to save even more, you can contribute to an individual retirement account (IRA).<sup>7</sup>

You may not meet all your financial goals immediately, but a financial wellness check-up is a great step whether you're just getting started or looking to improve financial wellness.

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<sup>7</sup> [Employee Benefits Security Administration](#), "Top 10 Ways to Prepare for Retirement"