Healthy & Resilient WORKPLACE
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Dollars and Sense

While the economic recovery has improved things overall, economic uncertainties continue to be a staple of the daily news. Yet even when times are good, families can experience events that result in personal hardship. *Financial resilience* is the ability to withstand events, both positive (like births, college, or retirement) and negatives (like divorce, sickness, or job loss), that impact one's income and/or assets. Financial stress goes beyond pain in the pocketbook. It can affect many aspects of our lives.

Mental and physical health

According to the 2010 American Psychological Association stress survey, 76% of Americans view financial stress as the most significant stressor in their lives. Financial stress leads to unhealthy behaviors, including smoking, poor eating habits, gambling, credit card abuse, and alcohol and drug abuse. Poor mental and physical health can also exacerbate financial stress through increased medical expenses and reduced earnings that escalate debt and drain family resources.

Personal relationships

Financial stress can impact family relationships and finances, especially when families lack emergency funds and sufficient knowledge about how to get help. Research on divorce shows that debt, credit abuse, and differing financial practices and beliefs are often primary factors of conflict in the marriage.

Work productivity and performance

The average American spends 28 hours on the job each month stressing over finances. The cost to employers is around $5,000 a year in lost productivity. In addition to lost productivity, financial stress is associated with higher levels of absenteeism, tardiness, job dissatisfaction turnover, and lower levels of morale and work commitment.

Developing financial resilience can have a beneficial impact on your health, relationships, productivity, and overall satisfaction.

Seven steps to increased financial resilience

1. **Raise your fiscal awareness.** Do you know your actual net worth? Do you have a complete picture of your monthly expenses and total debts? For one month, track every expense from monthly bills like your mortgage or rent and utilities to minor payouts you may consider trivial, like your child's allowance or daily coffee purchases. At the same time, precisely calculate your income, assets and total debts.

A good analogy for financial resilience is “always shovel for the next storm.”

-- Barbara O’Neill, Rutgers University

By documenting your total financial picture, you can make informed financial decisions and more efficiently achieve your financial goals.

Be realistic. If you believe your job is completely secure, that you’re too young to think about retirement, or that the stock market always offers high returns over time, such unrealistic views may contribute to greater spending and financial risk-taking.

2. **Educate yourself.** How knowledgeable are you about managing budgets, preparing taxes, investing funds, or picking savings and retirement plans? Many of us find financial topics so daunting that we end up doing nothing to bolster our financial resilience. You don’t have to become a financial planning expert. Develop your financial literacy and identify the resources you need to guide and support your financial resilience goals.

   For some, hiring a financial planner may be in order. Others may seek guidance from knowledgeable friends or family, or take financial planning courses. There are also many free online resources and tools that can help. Online budgeting sites like mint.com allow you to link your bank account to your budget. Online retirement calculators can help estimate the amount you should save before retirement.

3. **Establish an emergency fund.** If you were to lose your job tomorrow, how long could you get by financially? All of us need an emergency fund. Depending on your marital status, number of children and expense profile, experts recommend you save 3 to 6 months of reserve; some recommend as many as 8 months. Even if you are on a tight budget, it’s possible to set aside some funds. It’s important to try, and you’ll breathe easier when life’s emergencies strike. Here are some tips for setting up your emergency fund:

   - Have an automatic deposit taken from your paycheck for the fund.
   - Start with an achievable target to ensure success, then raise the amount as you are able.
   - Keep your emergency fund in a separate bank to reduce transfer-and-spend temptation.
   - Put the fund in an accessible, interest-bearing savings or money market account so you won’t incur penalties for early withdrawal if an emergency arises.

4. **Actively manage your money.** Budget and expense tracking can curb overspending and help you meet savings and debt reduction goals. Consider contributing higher amounts to savings or 401K plans each year. Periodically optimize your accounts. For example, find the highest yield savings accounts, search for interest-bearing checking accounts.

5. **Use credit wisely.** If you carry credit card debt, adopt a “lean and mean” approach. Leave the card at home. If you can’t pay cash for something, then you can’t buy it. Strive to pay credit card balances in full each month. If that’s not possible, then tackle the high interest cards first (9% or higher).

> ***It's often not so much the financial successes we have but the financial mistakes we avoid that keep us financially healthy in difficult times.***
>
> **-- Financial Planning Perspectives**

Periodically review your credit reports: check for inaccuracies and get a view of your financial profile, including credit scores. Credit reporting agencies include Equifax, Trans Union, and Experian.

6. **Insure against tough times.** Yes, insurance costs money, but being caught uninsured can result in financial (and legal) disaster. Shop for the best rates for life, disability, auto, and homeowner's or renter's insurance. Visit websites, ask for quotes, and switch to companies offering more competitive rates.

7. **Adopt a healthy lifestyle**. Take the best possible care of your health to minimize financial stress. Eat right, exercise regularly, quit smoking, and minimize stressors. Those steps alone will lower your health care costs (and life insurance premiums), increase your productivity, and ultimately support your financial resiliency goals.

Taking control of your finances can feel intimidating, but commit to taking the first step. Consider this from the blog getrichslowly.org: *Take a vacation day from work and designate it your personal "Money Day." Use the day to tackle one financial goal: install budgeting software on your computer, open a savings account, or call around for a better deal on your insurance.*

It won't get done in one day, but these suggestions will minimize stress in your life and help you develop financial resilience.

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