Financial Wellbeing Toolkit

With the current global financial landscape, many people are finding it increasingly difficult to manage their finances amidst the rising cost of living. This challenge is exacerbated by the various uncertainties that come with unemployment, job insecurity, and extreme events such as displacement from ongoing natural and man-made disasters. These factors all contribute to what is called financial stress, a type of stress that can affect both our wellbeing and quality of life.

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Introduction

Today, we find ourselves in an economic environment characterised by high inflation and low interest rates.

This means that we don't just need to pay more for essential goods and services, but it's also harder to grow our money for the future. There's no doubt that money is a vital tool for our survival, we need it to pay for the basic necessities of life. It is therefore understandable that a shortage of it can lead us to feel stressed and anxious.

Financial stress is common and is an unavoidable part of life for most people. Fortunately, there are ways to develop a sense of financial wellbeing by learning to improve our money management skills.

This useful toolkit has been compiled for you and your team to use as an informative and practical guide on your financial wellbeing journey.

The toolkit covers the following key areas:

- What is financial wellbeing?
- The effects of financial wellbeing on your mental health
- Factors influencing financial wellbeing
- Causes of financial stress
- Ways to reduce financial stress

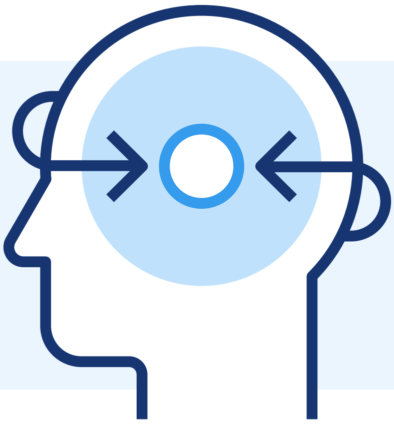
What is financial wellbeing?

There isn't just one true definition of financial wellbeing, as it can encompass something different for each person depending on their situation and personal beliefs about money. A general definition of financial wellbeing is: the ability to manage your finances in a manner that allows you to feel in control, to make sufficient provision for present and future needs, and to be able to enjoy daily life. For most people, financial wellbeing means the ability to pay their bills, save for a healthy financial future, deal with any unexpected expenses, and still be able to live a comfortable life.

People who experience a sense of financial wellbeing generally have plans in place to control their expenses and are therefore less likely to be severely stressed out about money. They are on track when it comes to meeting their financial goals and have the freedom to make the choices that allow them to enjoy life.

Having financial wellbeing in turn has a positive effect on your mental and physical health, and on your relationships with people. It gives you the peace of mind and security that lets you be fully present both in your work and personal life without anxiety or worry over basic survival or fears for the future.

The effects of financial wellbeing on mental health



Some factors of financial wellbeing are within a person's control, while others aren't. Either way, money will usually come with some form of stress. Poor money management leads to an unhealthy amount of stress, which negatively affects your mental health. When you are stressed, it affects your ability to focus on your daily tasks and is likely to diminish your overall quality of life. Imagine financial stress being like a weight tied around your waist, limiting your movements, draining your energy, and leaving you feeling tired and frustrated all the time – that's how you're likely to feel when you don't have financial wellbeing.

It's important to develop healthy money habits that give you control of your financial situation. When you have control, you feel less stressed and can focus on other important aspects in your life.

What do the stats say?

According to Champion Health, over **1.5 million** people in the UK are struggling with both debt and poor mental health, and around **24 million** adults are not confident in managing their own money. Young employees are a demographic that is particularly affected by poor financial planning. It has also been found that **40%** of people with existing mental health problems find their mental health struggles are exacerbated by financial stress.

Factors influencing financial wellbeing

There are several factors that affect the way you perceive money, how you feel about it, and how you work with it. Some of the main factors are listed below.

Social and economic environment – Your socio-economic context, social interactions, family responsibilities, living situation, and the communities you're a part of all influence how you perceive and maintain your financial wellbeing.

Personality and attitude – How you think you need to feel and act towards money also affects your criteria for financial wellbeing. People who are more driven by status and the acquisition of material goods will, for example, have far higher requirements for attaining financial wellbeing than those who attach less value to these things.

Behaviour – Your actions and behaviours can affect your financial situation, and therefore your financial wellbeing too. When you spend carelessly or spend money that you don't have for the sake of momentary gratification, it can lead to a lot of worry, stress, and deprivation later on. This can create a culture of poor financial wellbeing, which means you are likely to develop a bad relationship or attitude towards money (i.e., feeling like you never have enough).

Knowledge and skills – Your level of financial knowledge and skills largely affects how you work with your money and will determine whether or not you are able to make the decisions that are best for you and for your financial wellbeing. Keeping abreast of global issues relating to finances, such as the increased price of gas and necessities, will enable you to plan ahead and adjust your budget accordingly, preventing you from experiencing a financial shock later on. Failure to plan and make the necessary adjustments can be detrimental to your financial wellbeing as it can lead to feelings of stress and anxiety.

Available opportunities – Your financial wellbeing can be significantly influenced by the options available to you (i.e., options that can help your financial situation in a positive way). For example, financial wellbeing will be easier to achieve if you have the ability to take out a loan, have savings, or are able to get a sponsorship/financial support from family members. The opportunities you've had in the past can also influence how easy or difficult it is for you to achieve financial wellbeing now. For instance, if you've secured a student loan that's allowed you the opportunity to obtain a good qualification, you're more likely to have been afforded a good job, and that would subsequently lead you to earn a good salary. This is one example of how you can positively use a loan to your advantage and to improve your financial wellbeing in the present and future.

Personal financial wellbeing – This refers to how satisfied are you with your financial situation and the way you choose to handle your income and expenses. Your financial wellbeing will look different to someone else's, and that's why it remains subjective and personal. Having a sense of satisfaction with your earning and lifestyle and not comparing yourself to others is important for your mental health. Your earning and goals will never be exactly the same as someone else's, which is why they may choose to spend their earnings differently than you would.

What causes financial stress?

There are many behaviours that can lead to financial stress. Some are within our control, and some are not. But first, what are some behaviours that might be indicative of financial stress?

Some of the tell-tale signs of financial stress include:

- A tendency to take money from your savings regularly
- Having to ask for your pay or salary in advance
- Frequently extending or increasing your credit card limits
- A tendency to want to make money fast through risky or impulsive strategies such as gambling, pyramid schemes, or selling your valuables
- Realising that your income only covers the bare minimum

If you are frequently displaying four or more of these behaviours listed above, it could indicate that you are experiencing financial stress. Financial stress is caused by several factors, some of which include:

- Monthly expenses exceeding monthly income
- Not having any money left over at the end of the month to build up savings/a safety net
- Not having a pension fund or UIF set up at work
- Losing your job or not securing employment
- Having to suddenly pay for unforeseen expenses (e.g., medical emergencies, theft, damage to property, or having to relocate due to natural or man-made disasters)
- Not having insurance or medical aid when things go wrong

Ways to reduce financial stress

Most people will experience financial stress at least once in their lives. If this is something that you are currently struggling with, or that you struggle with often, you can use the following techniques to alleviate your financial stress:

- Educating yourself on financial matters (e.g., budgeting, investing, saving) can empower you to take full control of financial decisions and can help you maintain a sense of financial wellbeing
- Review your bank statements often and weigh up your expenses. There may be some expenses that are unnecessary and that you may be able to eliminate or reduce
- Draw up a budget and stick to it. If you aren't familiar with budgeting, try researching budget plan examples or use excel budget templates that will make the process easier. By having a plan in place, it will reduce the risk of overspending and will give you the peace of mind you need to reduce your financial stress
- Keep your receipts and review them at the end of the month. Although this is time consuming, it will give you a chance to see exactly where and how your money is being spent. For example, you can ask yourself if that purchase was necessary or not, and when making purchases in the future you will be more mindful of the items you purchase and remove unnecessary ones you didn't find useful before
- Consider having a financial advisor. Financial advisors help you manage your money in the best way possible, generally in a way that suits your lifestyle both in the present moment and beyond. An advisor can also help you set up investment schemes for your future
- Pay attention to your credit score. Working towards your credit is important. Ensure that your pay your bills on time, mainly focusing on high interest credit cards. Reduce the use of using credit regularly, especially if it's not necessary
- Save money for unexpected emergencies that you have not budgeted for. You cannot plan for what surprises your future might throw at you, so it's best to be prepared for that emergency. A little a month will be good practice to save for the "rainy days".

- Do not compare yourself to others – it's important to remind ourselves of the fact that every person's financial situation looks different and that we all have vastly different priorities when deciding what to spend our money on

If you're new to budgeting

Here is a simple 4 step guide to help you get started on budgeting:

Step 1: Think about what your goals are

Step 2: Work out your income and expenses and list them in order of priority

Step 3: Calculate the remaining amount you are left with

Step 4: Budget that amount towards your monthly goals and savings

Tips for employers to promote financial wellbeing in their team members

If you are an employer, it is best practice to provide your employees with the most appropriate financial support that can provide them with the necessary peace of mind. If an employee's salary is only enough to cover their bills, it's probable that their prime focus won't be on the company's annual objectives or monthly report, but rather on how they are going to find the money to survive for the rest of the month. This can lead to a survival mentality that leaves little room for growth, spontaneity, or innovation.

Providing financial support for your employees is equally as important as any other business decision. Financial stress can reduce the quality of people's work and lead to low company morale and an overall lack of motivation. Most employees will likely feel burnt out and experience anxiety, among other mental health related issues (i.e., stress and depression).

Plumm provides mental health solutions that include financial wellbeing courses and other valuable services such as therapy and life coaching. These services and resources can help reduce mismanagement of finances and other mistakes people tend to make with their money. Better yet, the resources can help individuals to formulate active steps for improving their financial wellbeing.

At **Plumm**, our online course **"Financial Wellbeing for Employees"** explores some of the consequences we might face if our financial wellbeing isn't managed correctly.

In addition, **Plumm** offers therapy sessions and **24/7 chat therapy** with accredited therapists and coaches that can help employees with their stress and anxiety. By making this support available to employees, they will be able to obtain the insight and guidance that can help them change the narrative of their financial wellbeing and, in turn, help them maintain their focus and drive to produce a higher quality work.

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