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Practical Insights Into Financial Wellness

Zenaida Samaniego

In a U.S. employee financial wellness survey,[1] top concerns among 30% to 50% of those surveyed include having emergency funds for unexpected expenses, being able to retire, meeting monthly expenses, being laid off, keeping up with debts, paying for college and losing one's home.

Effectively managing these concerns is a hallmark of financial wellness. To summarize the U.S. Consumer Financial Protection Bureau (CFPB), financial wellness is a state of being wherein you

- Have control over day-to-day, month-to-month finances
- Have the capacity to absorb a financial shock
- Are on track to meet your financial goals
- Have the financial freedom to make the choices that allow you to enjoy life[2]

What drives financial wellness? In one South African[3] study of household financial wellness,[4] key factors include education, employment, marital status and housing. For example, 75% of the financially sound households (top 28%) completed secondary education, 65% were gainfully employed and 54% were married. For the financially distressed (bottom 4%), 42% attained primary education, 16% were employed, and 29% were divorced, separated or widowed.

Wellness in General

If the drivers of financial wellness sound familiar, let us consider how they apply to general well-being. Consider also that good health is just as essential to financial wellness as it is to one's well-being. And like good health, financial wellness is a common goal shared by family, employers, professional advisers and service providers, local and national government leaders and policymakers. Both drive personal success and security, as well as productivity and economic growth that benefit society in general.

In this essay, we will allude to and draw comparisons with good health practices, as the latter contribute to general wellness, and explore practical considerations that can similarly apply to personal financial wellness.

What drives health fitness? In a recent report on the American Fitness Index,[5] the "AFI reflects a composite of personal health measures, preventive health behaviors, levels of chronic disease conditions, as well as environmental and community resources and policies that support physical activity."

Yet health literacy, like financial literacy, rates poorly in many countries, and remains elusive even for most Americans. As such, they are a major concern in our political, economic and social systems.

Knowledge is Power

Significant research has been done to date on these causes and their impact on wellness. However, it would appear that individual education is core and foundational to one's wellness, from either a financial or health perspective—from any other perspective, for that matter.

One's education starts at home, as early as birth, where building blocks begin to form. Learning in school is aimed to cultivate the mind and expand knowledge to prepare one to step out into the world.

1 PricewaterhouseCoopers, "Employee Financial Wellness Survey: 2015 Results," April 2015, *https://www.pwc.com/us/en/private-company-services/publications/assets/pwc-employee-financial-wellness-survey-2015.pdf.*

2 Janneke Ratcliffe, "Four Elements Define Personal Financial Well-Being," Consumer Financial Protection Bureau blog, Jan. 27, 2015, *http://www.consumerfinance.gov/about-us/blog/four-elements-define-personal-financial-well-being.*

3 The author is not aware of a comparable study in North America on household financial well-being.

4 Momentum/University of South Africa (UNISA), "SA Household Financial Wellness Index: 2014," report, 2015, *https://www.momentum.co.za/wps/wcm/connect/momV1/dcf4f61a-7d75-44be-8977-3f76a7863b33/momentum-unisa-household-financial-wellness-index-2014-full-report.pdf?MOD=AJPERES.*

5 American College of Sports Medicine (ACSM), "Actively Moving America to Better Health: 2015 Health and Community Fitness Status of the 50 Largest Metropolitan Areas," *ACSM American Fitness Index 2015*, May 2015, *http://www.americanfitnessindex.org/wp-content/uploads/2015/05/acsm_afireport_2015.pdf.*

Learning does not stop after graduation. There is so much knowledge out there that continues to whet one's curiosity and encourage one to improve on what one already knows. "Lifetime learning" provides additional benefits to those who actually practice it, by continually engaging, challenging and stimulating the mind, especially at a time when one's cognitive ability tends to wane with advancing age.

As stated earlier, education is foundational for general wellness. A "successful education" particularly in the areas that have real-life applications generally lead to the other hallmarks and benefits of well-being, such as having a family and owning a home, health benefits and so on, but more important feeling in control of one's affairs where it matters.

Thus, financial and health literacy can be viewed as having many things in common. "Staying fit," in both cases, depends on learning and forming good habits beginning at as early an age as possible, that endure yet evolve with growing experience and increasing age.

The beauty of it is when the cycle repeats itself. The educated become educators to their family, and so on.

Balancing Act

I learned early on that "money does not grow on trees," meaning money must be earned and it is not easy to acquire it. It also means one should be careful how much money one spends because there is only a limited amount.

As I was growing up, my parents instilled in me a sense of thrift as, for example, I would bring a box lunch from home and save my school allowance for snacks during recess. Then I knew I could ask my parents for my other needs, such as school uniforms, textbooks and other essentials. A new dress or toy would usually come on special occasions like my birthday or Christmas. I might also get money for gifts, which I was then encouraged to save and deposit in the bank. While our family took vacation and seasonal trips together, any special trips (e.g., abroad) I would earn by getting good grades in school. Thus I learned to take personal responsibility and, in the process, earned my parents' trust and took pride in being encouraged to learn further about family and other responsibilities.

In school, math is an essential part of the basic curriculum, as is cultural and practical knowledge such as languages—both grammar and literature, science, art/music, health, religion, home economics, physical education and hygiene.

Work ethic means completing our homework and preparing for quizzes during the school week/nights. But as the saying goes, "all work and no play make Jack a dull boy." So we play just as hard during recess, physical education and weekends and whenever there is time left after classwork is done for moonlit neighborhood games.

What it comes down to is a balancing act. For example, one learns about smart time management to get necessary things done and if one makes extra effort, one expects a payoff (e.g., attaining one's goal, dream or ambition). It also helps one maintain work-life balance, especially in this fast-paced world.

Incentives certainly help, such as an increase in allowance and/or savings for doing special errands at home. Graduating with honors earned me that special trip abroad. Above all, there's the knowledge that one makes the family proud.

The same applies to health habits. One learns about a good balanced diet. For example, if I consume more (or less) than I need, I will expect to gain (or lose) weight. Even routine visits to the family dentist can be painful and thus help discourage one from eating too many sweets.

Then there is money management, such as balancing one's sources and uses of money. For example, I know that if I spend more than my allowance, I can go broke and hungry next recess. Or I can opt for patience and self-control and instead save some money for that special treat or future wants. Unless one learns early how to manage these small sums, it becomes problematic later on when one is on their own. For many young Americans, this can occur as soon as they go off to college, when they come face-to-face with credit cards and college loans, unprepared and clueless, and knowing they are without parental support any longer.

Synergies

Attaining and maintaining an ideal weight should remain a continuing goal as we age. We know that often times the culprits are a poor diet and lack of exercise. After all, one cannot expect to pile on calories without commensurate output of energy. We also know that health problems can and do arise, which only get more exacerbated with increasing age. By then lifetime habits become very hard to break even as the most drastic measures fail to turn around the downward spiral.

The same applies to maintaining a balanced budget and accumulating savings. One should not be surprised or wonder about a sorry state of financial affairs when one habitually spends more than one earns and piles on unnecessary debt.

Worse, financial worries can lead to compulsive eating, sleeplessness and deteriorating health. Conversely, poor health can exacerbate dire finances from unexpected health spending or unscheduled sick leaves that may lead to loss of gainful employment.

It becomes evident then that the positive synergies which result from a "successful education," as discussed earlier, could easily be turned around on its ugly head. The toll on individuals can ultimately translate to societal woes as support systems break down from the weight of social responsibility.

Professional Help

One goes to a physician or medical expert for regular check-ups and protections such as immunizations, or when one is ill, to obtain proper diagnosis and treatment, whether short- or long-term. As a result, one becomes well informed early on about one's physique and best practices for staying well and fit.

It should not be any different for financial wellness. While growing up, one may be fortunate enough to get informal guidance from parents or perhaps be familiar with the concept of saving through deposits and other transactions made at the local community bank.

Other than that, there are no corresponding structured systems or resources to consult or learn and discuss about financial matters on a regular basis. Financial lexicon such as bonds, stocks, mortgages, real estate, mutual funds and so on all seem foreign, and deemed by one to exist in the business section of the newspaper primarily for businesses, rather than individuals as potential investors.

Indeed, the first time one is exposed to financial jargon may unfortunately be also the instant one needs to make that important investment decision, such as allocating contributions to a benefit plan at work, borrowing money to help pay for college or buy a home, or deciding on necessary insurance protection of self and/or family against risk of loss covered under a homeowners, auto, life or health plan.

In fact, most or all financial advisers cater primarily to young adults and the middle aged in the workforce with potential to invest their hard-earned wages in the market. These financial professionals provide investment guidance, usually for a fee, to investors both institutional and individual. However, many individuals often times do not understand the choices, cannot discuss their concerns and/or feel compelled to follow in blind trust. Notwithstanding protection under the law,[6] many are prone to unwise or fraudulent investments. Then it becomes imperative to have the wherewithal and ability to catch up on this essential knowledge even at this later stage.

That said, all this points clearly to a huge gap during school age in learning and guidance as regards financial wellness, which is compounded by the fact that the time when the mind is developing and most malleable would have been the optimal learning opportunity.

6 The CFPB was formed July 21, 2011, for consumer protection in the financial sector. Effective April 10, 2017, is regulatory guidance from the U.S. Department of Labor on fiduciary and conflict of interest that also helps protect those receiving investment advice when facing retirement choices. See Office of the Federal Register, National Archives and Records Administration, "Definition of the Term 'Fiduciary'; Conflict of Interest Rule—Retirement Investment Advice," *Federal Register* 81, no. 68 (April 8, 2016), *https://www.gpo.gov/fdsys/pkg/FR-2016-04-08/pdf/2016-07924.pdf.*

Economic Conundrum

As stated earlier, financial wellness and overall well-being is a common societal goal. However, it would appear, at least in my layman's view, that economic theory may be confusing the issue. For instance, the news reports regularly say consumer spending accounts for 70% of the economy, but, in truth, business spending or investment on capital goods, new technology, entrepreneurship and productivity is a more significant factor in sustaining the economy and a higher standard of living. Rather, consumer spending is the effect, not the cause, of a productive healthy economy.[7]

It is also common to hear it said that a rise in the savings ratio can have a very significant impact on economic activity. In the case of economic stagnation, a slight fall in the savings rate combined with a corresponding rise in consumer spending would help promote economic recovery. In principle, a "savings investment culture" or higher savings can help finance levels of investment and boost productivity over the longer term. Also there's nothing wrong with encouraging a decent level of savings.[8]

With the lack of societal incentive to save combined with the capitalist pressure to spend, as consumers pile up more debt faster than wages can grow, it is no surprise that many find themselves in financial trouble before too long.

Summary

Building a financially sound and healthy society is most effective from the ground up, starting at home. Even before a baby is born, good health is a top concern, while gender may be secondary. Beginning at birth, a health regimen is established so that proper nutrition, necessary immunizations and medical checkups are provided for the newborns and throughout their growing years until they reach adulthood. By then, they will have learned and acquired good habits, not only from the family but also from the community and school system.

We propose a financial regimen can be similarly drawn so that children can be taught starting soon after they can count and do basic math, to earn and manage their allowance, as well as save for "likes and wants" and, like the squirrel, for "a rainy day."

Arts and sciences are already in our school curriculum. We propose math and health education, in particular, should be enhanced with real life models and applications that will supplement and reinforce learning at home. The community can play a large part in this engagement and endeavor.

There is professional help for staying physically and mentally healthy, which is available throughout the lifecycle. While people will say health is more important than wealth, we have seen how staying financially fit can affect one's physical and mental health. We propose that the "school age" gap in financial guidance be bridged in a number ways, such as publishing an easy reader and/or teachers' guide[9] on the basics of saving, money management and/or or investments, teaching an enhanced curriculum with hands-on lessons in real-life math applications, school competitions, volunteer mentoring and outreach by financial professionals and/or nonprofits to this currently underserved group who also happen to be potential future investors.

Most important, our businesses, support systems, leaders and policymakers need to be all in sync with this basic education tenet.

Once learned and acquired, good habits become a legacy passed on from generation to generation, and family to family, and so on. In the end, the individual and the society as a whole benefit from financial soundness and overall well-being.

Zenaida Samaniego, FSA, MAAA, is an active volunteer in SOA research on retirement and other practice areas. She is retired from her role as chief actuary, Employee Benefits Security Administration, at the U.S. Department of Labor. She can be reached at *babymerc@aol.com*.

7 Mark Skousen, "Consumer Spending Drives the Economy?" Foundation for Economic Education's Entrepreneurship blog, Sept. 22, 2010, *https://fee.org/articles/consumer-spending-drives-the-economy/*.

8 Tejvan Pettinger, "Would an Increase in Savings Help the Economy?" Economics Help's Economics blog, March 11, 2013, *http://www.economicshelp.org/blog/7102/economics/would-an-increase-in-savings-help-the-economy/*.

9 Actuaries can and do play an important role in mentoring our youth and others. The Actuarial Foundation has a breadth of initiatives that include its *Expect the Unexpected with Math* series with titles such as *Plan, Save, Succeed* (for grades six through eight) and *Building Your Future* (for grades nine through 12). See *http://www.actuarialfoundation.org/programs/youth/etu.shtml*.