

How to Replace Financial Anxiety with Confidence

Researchers at the Global Financial Literacy Excellence Center at George Washington University and the FINRA Investor Education Foundation found that 60% of study participants feel anxious when thinking about their finances and 50% say they're stressed about them.¹ Major financial triggers cited by participants include:

- Lack of assets
- Insufficient income
- Retirement readiness
- High debt
- Money management challenges
- Low financial literacy

Recent economic challenges, including inflation, rising interest rates and ongoing market volatility, have added to the stress many people are experiencing. However, there are practical ways to help cope with and overcome these obstacles. That begins with understanding the causes and symptoms of financial anxiety.

What is financial anxiety?

There's no question that worrying about having enough money to make ends meet each month, pay for an unanticipated expense, or save for retirement can lead to tension and anxiety. Market and economic conditions can also play a role, especially if you're concerned about fluctuations in the value of your investment portfolio during periods of increased market volatility, or whether you'll outlive your income in retirement. Financial stress can manifest in different ways, such as obsessive saving or spending behaviors, addiction to work or emotional decision-making. These unhealthy behaviors compound stress, which can impact your physical and mental well-being, resulting in conditions such as insomnia, fatigue, muscle aches, depression and more. While it's common to experience some level of financial anxiety during your lifetime, especially when faced with circumstances beyond your control, chronic financial stress is harmful and can adversely impact your health, relationships and even your job performance.

What can you do about it?

Have you ever thought, "If only I had a little extra money each month, all of my worries would go away"? While more money seems like the simple answer for resolving financial stress, it's often insufficient because it doesn't deal with the underlying cause of your anxiety. For example, if you grew up in an environment where money was scarce or your family experienced a significant loss in income or assets that impacted your lifestyle, you may harbor fears about never having enough. As a result,

no matter how much you make, you'll never feel confident about your financial circumstances until you deal with that underlying fear.

4 Steps for replacing anxiety with confidence

No matter the source of your financial anxiety, there are steps you can take now to not only help you cope with, but overcome, any challenges you face. To put yourself on a fast track toward conquering the financial stressors in your life, consider the following steps:

- 1. Contribute to a retirement plan.** One of the most effective ways to move closer to a confident financial future can be participating in a qualified retirement plan such as a 401(k), which offers certain tax benefits, including tax-deferred compounding. Tax-deferred compounding can allow account earnings to grow faster, since you're not taxed on those earnings until you begin taking distributions, usually at age 59½ or older. If you're not eligible to participate in an employer plan, consider a traditional or Roth IRA, or a SIMPLE IRA for self-employed individuals, to enjoy the benefits of tax-deferred compounding. Keep in mind, tax benefits will vary based on the type of retirement plan you choose, so be sure to do your homework first.
- 2. Shore up emergency savings.** Money set aside for an emergency can help provide a buffer against future financial shocks. Even a small amount set aside each month can add up over time, making you feel increasingly confident about managing an unanticipated expense. Make sure savings are set aside in a liquid account, such as a bank saving account or a money market fund, so your money is accessible when you need it.
- 3. Put a strategy in place.** A financial strategy can help you feel more in control of your finances because it reflects your personal goals, risk tolerance and timeframe for working towards your goals. At the center of your strategy is a personalized strategy, aligned with your objectives. That makes it easy to track your progress over time. Your strategy can also provide the flexibility to accommodate change, as the financial markets and your circumstances evolve.
- 4. Work with a financial professional.** An independent financial professional can not only help you put a comprehensive strategy in place but will provide ongoing financial education, coaching and guidance, proactive monitoring of your financial strategy, and alerts of new opportunities that may be appropriate for you. Your financial professional has access to sophisticated planning tools that can help answer many of the questions and concerns that often trigger financial anxiety, such as, "are you saving enough to accomplish all of your lifestyle goals in retirement?" That can go a long way toward replacing anxiety with confidence, which is good for your physical, emotional and financial well-being.

To learn more about preparing for a confident financial future, call the office to schedule time to talk.

¹ <https://gflec.org/wp-content/uploads/2021/04/Anxiety-and-Stress-Report-GFLEC-FINRA-FINAL.pdf?x85507>

² <https://www.hrblock.com/tax-center/income/retirement-income/how-roth-ira-contributions-are-taxed/>

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