Financial Wellness

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Introduction

Financial planning can be complicated at all earning levels. Most individuals hold some level of stress regarding finances, which can affect their quality of life. This stress only multiplies when trying to establish financial stability for an entire family. Individuals and families must consider general expenses, debt, and future planning like emergency savings and retirement.

In the U.S, fifty-three percent of households do not have funds saved in case of an emergency. Incorporating these variables as well as external factors like the pandemic or recession can make financial planning overwhelming and complicated. After fully considering the influential variables, employees can create comprehensive financial plans to alleviate these stressors and plan for the future.

Impact

Attempting to establish financial security can be a significant stressor for employees and influence their overall wellness. A recent survey shows that the following concerns are impacting employee's financial planning:

- Stagnant wages
- Job security
- Cost of living expenses
- Healthcare expenses

Some individuals successfully track their financial goals, but more often than not, financial wellness can be challenging to achieve for the majority of people. Employers can play a significant role in assisting and guiding their employees to financial security. Both higher-income and lower-income employees can have similar struggles with financial planning.

However, the lower-income employees are more prone to stress and have difficulty readjusting their path to financial wellness when unexpected expenses occur. When there's an impact on the employee's financial wellness, it can affect them at work in the following ways:

- Lower morale
- Less productivity
- Increased Absenteeism
- High Stress
- Less Organizational Engagement
- Retention

Financial Challenges

Growing up, we learn that it's crucial to build proper habits early on, but this does not mean we cannot create those habits now. For example, creating a clear financial plan with established daily and monthly financial practices will not just improve your financial wellness but overall wellness.

Enhancing Financial Wellness

Charles A. Jaffe states that "It's not your salary that makes you rich; it's your spending habits," which is an important sentiment to consider when establishing your financial plan. But there are other things to consider when working towards financial wellness:

- Become financially independent
- Know your financial boundaries and only spend within your means
- Use credit when required and pay the card in full
- Become financially literate
- Always consider expenses and future financial goals

Retirement Savings and Will

It is crucial to start saving towards your retirement as early as possible. While saving for a home, car, or your child's college tuition can seem more important, retirement savings are just as significant. A good rule of thumb is to put aside about 15% of your gross income for retirement each year. In addition, you cannot forget to set up your will, clearly marking your assets. Finally, make sure to update your will as your family grows, and assets change. Being financially prepared for the future is the best investment for yourself and your family.

Leveraging Technology

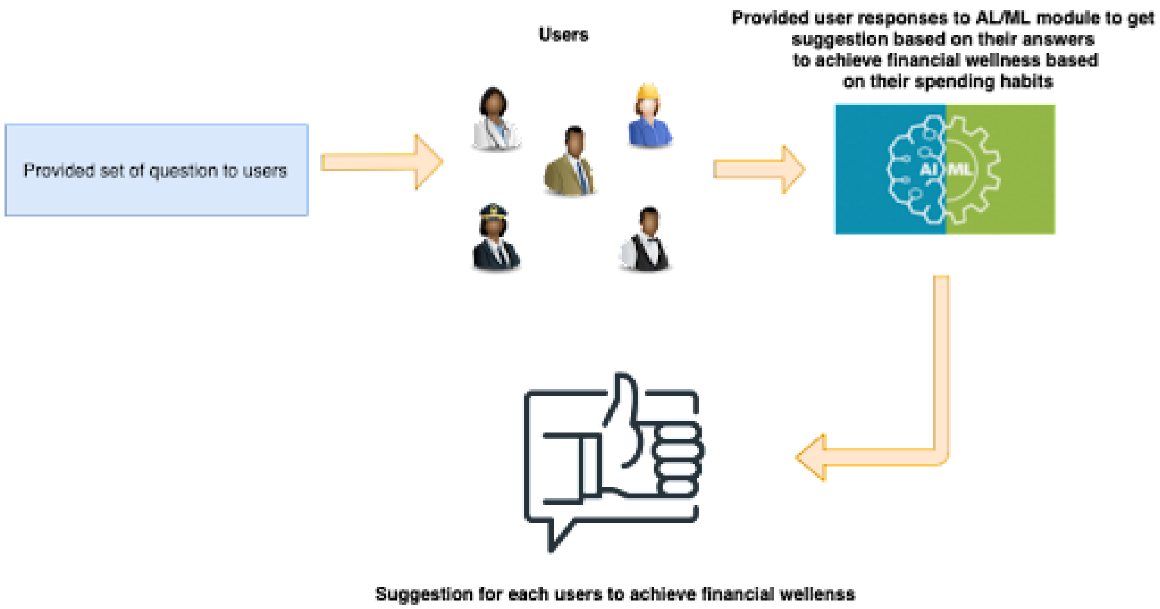
To establish an individual's saving potential, we must accomplish several tasks. First, a set of questions are compiled and distributed online or on paper to various users. Then the answers are collected and reported to the artificial intelligence (AI) to evaluate the users' unnecessary or excessive spending habits.

The machine learning (ML) AI indicates critical areas for improving spending habits and potential areas for savings. Users then can implement the recommendations given by the AI and start saving more of their money.

Suppose we consider the answers given by users who most commonly have multiple subscriptions, such as Netflix, Hotstar, and Amazon Prime. For each subscription, the user is spending a certain amount per month. Our AI analyzes these answers and comes up with the solution that Hotstar has a similar subscription as Netflix. So, if a user stops one of these subscriptions, they can start saving more money per month.

Another example is with loans. Let's consider home loans and investments in mutual funds. Their home loan costs a certain amount per month with an 8% interest rate and mutual funds with a 7% interest rate. Our AI reads this and suggests the user should stop the mutual funds and clear the loan to save them money.

After allowing users to use the application for a couple of months, we can ask them to share feedback on their experience using the application and find out where they are satisfied. This feedback can improve the future development of the application to enhance its value for the users.



Future Enhancements

In the future, rather than taking the user's answers from handwritten paper or forms online, we will try to automate this process by using a web portal or mobile application to reduce the manual work. Furthermore, whenever our AI detects the changes in spending, it will filter the questions that we need to ask, increasing the accuracy of the application.

Suggestions for good financial habits

Saving for a rainy day

To save for the future, follow the 70-20-10 rule. From your income, spend 70%, save 20%, and donate 10%. Since interest compounds, it will have more growth over time and yield more rewards in later years. Therefore, the sooner you start saving, the better you will be set up for the future.

Keep a tab on daily expenses

Buddha says that "Drop by drop is the water pot filled." So, if you start saving little by little, you will see the return on investments in years to come. To accomplish this, you must first identify your excessive spending and essential expenses. Once you have categorized them, you can begin eliminating unnecessary spending from your day-to-day life. For example: instead of dining out regularly on weekends, dine out only once or twice a month. Another area is to avoid excessive shopping sprees. Once you see your savings growing, you will start feeling better about your spending, and its impact will improve your financial wellness as well as your overall wellness.

Build a 'Financial Track'

Bill Easton says that "you cannot flirt with the track, you need to marry it." You need to understand your track well to run it. Build your financial track by assessing the following aspects regularly:

1. Assets
You must understand your assets well. Knowing your assets and investing in them will help you to enhance your emotional and financial wealth.

2. Liabilities

Knowing your assets are just as important as knowing your liabilities. Liabilities are the financial obligations of an individual. For example, a loan, mortgage, or any other cash outflows are all expenses to consider. Therefore, it's essential to itemize liabilities to have a comprehensive understanding of your current financial obligations.

3. Financial Goals

It is essential to set a weekly, monthly, or annual budget. Setting a budget is a significant step towards making progress in financial wellness. Sticking to a budget can establish a strong sense of accomplishment and help improve financial stability. The feeling of making progress, however small, will create emotional reassurance and contributes significantly to the emotional wellbeing of the individual, couple, or family. You can be an overspender or an over saver, both of which can lead to emotional stress in your life. So, setting up a budget can help you to create balance in your financial life. It is important to develop a budget to fit your needs.

Budgeting for an individual

You need to own your finances, whether you are planning to pursue higher studies, in a job, or looking to settle down. If you haven't budgeted your finances, you may have repercussions down the line.

Budgeting for couples

Finances can have a significant impact on a couple's relationship. Relationships may suffer or lead to divorce if the budget is not clearly set. Therefore, it is valuable to learn how to communicate about finances in a healthy way.

Budgeting for family

Similar to a couple's dynamic, incorrectly handling conversations about finances may disrupt family dynamics as well. Therefore, financial planning is a central component for the longevity of a family's overall wellness.

4. Income and Debt Assessment

It is vital to have a clear understanding of your current finances and own your relationship with money. If you don't have insight into your debt-to-income ratio, you may stray from your goals and negatively impact your financial security. Therefore acknowledging this as an important relationship will help you set the right financial goals and help you achieve overall wellness.

Conclusion

Financial wellness requires common sense and planning based on your current and future goals. Truly understanding your current situation will yield the most accurate results to create financial security. By understanding your current challenges and debt-to-income ratio, building up savings, leveraging available technological tools, and investing in yourself, you can achieve financial and overall wellness.

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About the Authors

Jolly Sharma is a Business Solutions Consultant, data evangelist, writer, lifelong learner, and a lover of nature. As an IT professional, she has worn multiple hats and served in engagement roles that launched innovative digital transformation solutions and products.

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