

4 ways to get your finances in order and reduce stress in your life

Negative emotions can wreak havoc on your body, mood and behavior

People who feel more financially secure have lower stress levels.

By Matt Sommer

It may not be breaking news that stress has adverse effects on one's health. However, the extent and prevalence of the issue has escalated in recent years, as evidenced in a recent study conducted by the Financial Planning Association, Janus Henderson Investors and Investopedia.

According to the results, 63% of respondents reported a moderate or high level of negative stress in their lives. Furthermore, 22% feel their stress levels have increased over the last 12 months, and 33% say their stress levels have increased over the last five years.

Each person deals with stress differently. Yet left unchecked, negative stress can wreak havoc upon an individual's body, their mood and their behavior. It can contribute to significant physical health risks, including high blood pressure, heart disease, obesity and diabetes. Study respondents agree: 60% feel a reduction in stress would improve their professional lives, and 75% feel that a reduction would enhance their personal lives.

The recently-issued report, [The War on Stress](#), is not a mere harbinger of doom and gloom; it is also prescriptive. Results connected those who report feeling lower levels of stress with having sound financial practices. While stress may be triggered by any number of factors, having a solid financial foundation appears to provide people with the ability to better cope with the unexpected and sometimes unpleasant events that inevitably occur in life. In the vein of being prescriptive, here are some key takeaways from the report that can be used to combat this pervasive issue:

Debt management

Fully 77% of respondents who feel somewhat or very financially secure experience lower stress levels. For many, the first step toward financial security is to ensure that outstanding debt levels are reasonable. A commonly-used rule of thumb among financial planners is that housing debt (including mortgage, property taxes and homeowner's insurance) should not exceed 28% of gross monthly income. The threshold increases to 36% for total debt, which includes auto loans and credit cards.

Prioritize financial goals

The study revealed that 73% of respondents who report feeling clear about their financial goals report lower stress levels. With competing demands of day-to-day expenses, saving for college and funding a retirement plan, it is essential to prioritize your financial goals. It may be helpful to divide expenses into three categories: needs, wants and wishes. Another method is to assign time frames to expenses: for instance, short-term, medium-term and long-term. Listing financial expenditures by importance, time frame or both can help individuals decide where their first dollar is allocated on a consistent basis.

Set up an automatic funds transfer from a checking account to the appropriate savings vehicle. For example, money can be transferred automatically to savings account, IRA, and even a 529 college savings plan.

The role of your portfolio

What's more, 68% of respondents who are somewhat or very knowledgeable about investments report feeling lower stress levels. Both experienced and novice investors should be encouraged to take the time to understand the role each of their investments play in helping to meet their long-term goals. In many cases, this means understanding not only the return potential but also risk implications. In a separate study conducted by Janus Henderson and Kansas State University (out later this year), investors who thoroughly research their investment decisions were found to have a significantly lower level of financial anxiety than investors who use their intuition and rely heavily on their gut to make decisions.

Both professionally-advised and DIY-investors may benefit from learning more about personal finance. A number of resources exist, including magazine subscriptions, online tutorials and seminars/workshops offered at local colleges and universities.

Not all plans are created equal

The research also showed that 47% of respondents who have a written financial plan report lower stress levels. Financial plans can take many different forms but tend to fall within two categories. The first category is a modular plan that takes into account one or two specific areas of concern. For example, a modular financial plan could be understanding how much life insurance to own and whether an existing policy is still appropriate. Another example could be a retirement income projection, which helps an individual determine how much he or she can reasonably spend each year during retirement.

The second category is a comprehensive plan, which will take into account all aspects of a person's financial life, including a personal net worth statement, a monthly cash flow or budget, asset allocation, education savings, retirement planning, insurance assessment, tax minimization and estate planning.

Often, individuals who work with a financial adviser are able to secure these services at no cost or for a fee. Do-it-yourselfers may also benefit from working with a professional to have the plan created, typically for a flat fee, which does not include any investment management services. If you work with an adviser, research them beforehand and make sure you know how they are paid.

While there is hardly a singular solution to reducing negative stress, research shows that keeping one's financial house in order can help tremendously. Not only will these practices minimize the chances that money concerns trigger stress, but they will also provide the sound financial footing necessary to deal with the other stress triggers life throws at us. In short: taking proactive measures to establish a financial foundation you can feel confident in is a powerful buffer against the detrimental mental and physical effects of stress.

<https://www.marketwatch.com/story/4-ways-to-get-your-finances-in-order-and-reduce-stress-in-your-life-2019-07-30?mod=retirement>