

10 Tips That Can Lessen Financial Stress

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There are many local and national organizations, including the American Heart Association, which seek to inform women and men about the dangers of stress, successful coping strategies, and harmful misconceptions about stress that are prevalent in our society. In a major international study published by THE LANCET in September 2004, stress was named as one of the three major risks for coronary artery disease, along with smoking and high lipid concentrations.

A recent New York Times – About, Inc. article stated that, according to experts, financial stress is one of the leading causes of stress in Americans. Its research revealed that over half of all American workers have money problems and that financial stress is linked to health problems like depression.

The road from financial stress to financial stability begins with a serious commitment to change. It might require some sacrifice but the rewards can be potentially quite rewarding.

10 Tips to Lessen Financial Stress

1. *Begin at the beginning.*

The first step in reducing financial stress is to take a snapshot of what you are worth. In simple terms, your net worth is what you would be worth if you sold everything you owned, turned it into cash, and then paid off all your debts. Figuring out your current net worth provides you a baseline against which to measure your financial progress on a regular basis.

2. *Count your pennies.*

Look at your monthly budget and define exactly where your money is being spent. A fundamental premise of short and long-term financial success is living on less than your income. Take a serious look at your spending habits and make sure that you are living under your means. If your debt levels are significantly higher than what you are comfortable with, take action to reduce it and eventually pay it off. Few things create more stress than living a borrowed lifestyle.

3. *Assume it's going to rain.*

Have sufficient money set aside for a rainy day, an unforeseen expense, an emergency. This money should be liquid and safely invested so the principal is not subject to undue market risk. Having an adequate emergency reserve fund that covers basic expenses for a period of at least 6 months significantly reduces stress levels on most people.

4. *An ounce of prevention is worth a pound of cure.*

Protecting your family and your assets against unforeseen catastrophic losses is critical to attaining financial security. Managing risk through the proper design of insurance policies can avoid insuring too many contingencies or not using deductibles properly. Your insurance portfolio might include health, disability, auto, homeowners, life, and long-term care. It is important to consult an experienced professional when determining appropriate levels of coverage within the context of a financial program.

5. *If something is worth doing, do it right.*

Financial security is no accident. It often comes to those who have recognized that planning for the future deserves a serious commitment. It is much easier to put a puzzle together when you have a picture of what the completed puzzle will look like. We all need a financial strategy and whether we do it alone or we seek a trusted professional depends on our unique situation. The information age has resulted in more complex options. Hiring a financial advisor may be money well spent and can potentially help you avoid costly mistakes.

6. *What you don't know can hurt you.*

Even if you use a professional, it's crucial that you understand the basics. Your financial professional must be committed to educating you and advising you – ultimately the final decisions must be yours. A good financial advisor will provide you the information you need to make an intelligent decision. The more you know, the more confident you will feel when implementing a strategy. Ultimately, trust your own judgment and instincts before taking any action. The best way to become confident in your own decisions is to educate yourself on financial matters.

7. *Paint a portrait of your financial future.*

Our current situation is, to a large degree, a result of choices we had made in the past. Our future financial security will depend on those actions we take today. Prioritizing our financial goals and committing to a strategy that will get us closer to our target is the key to achieving financial security and, thus, reducing financial stress.

8. *A penny saved is a penny earned and compounded daily.*

Consider your savings as a bill that you pay out every month. Paying yourself first through a systematic savings program will ensure that you live under your means. While you are young and working you must not only pay your current bills but must put money away to pay the bills of the future, those that will be due when you are no longer earning an income.

9. *Don't put all your eggs in one basket.*

Few factors affect the success of our financial strategies as much as diversifying. Diversification is not only important in terms of asset classes (stocks, bonds, real estate) but also by tax treatment and time horizon. We don't want all our eggs in one basket, we don't want all our baskets on the same truck, and we certainly don't want all our trucks driving on the same road. Although diversification does not guarantee against loss, it helps us manage the risk more effectively.

10. *Take time to smell the roses.*

A successful financial program is one that not only secures our future but provides lifelong financial balance. Being able to celebrate small successes along the way makes it all worthwhile. We have all heard of people who saved their whole lives and deferred any type of enjoyment until "after retirement" only to find themselves in poor health and unable to enjoy their wealth. We also know those who are nearing retirement and realize that they have not saved enough and must significantly drop their standard of living, or even worse, cannot retire.

Although no amount of planning can assure a stress-free life, adequate financial strategies that reflect our goals and dreams can significantly enhance the quality of our lives. A solid financial strategy will allow us to be better equipped to handle life's challenges and to feel more in control of our lives.

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