

Tips to Improve your Financial Health

The health benefits of physical activity and eating properly are well known. But did you know that personal finances also have an impact on physical and mental health?

Finances are the Main Source of Stress for Canadians

Money is the main source of stress for 42% of Canadians, according to a Léger poll conducted in 2014 on behalf of the Financial Planning Standards Council (FPSC). This factor greatly surpasses career, which places in second and which constitutes the largest stress factor of 23% of respondents.

Among the financial worries overwhelming Canadians, the difficulty to earn a stable salary comes to mind. This is the main concern of 45% of participants in a poll conducted in 2015 by the Ipsos Reid firm on behalf of news chain Global News.

Putting aside enough money for retirement is another major concern for Canadians: 40% of respondents of the Ipsos Reid poll indicated that this is a source of stress for them.

In contrast, an American study published in 2003 under the guidance of Richard A. Ippolito concluded that saving regularly is part of a lifestyle that reduces the risk of disease and the mortality rate.

Good Stress, Bad Stress

The fact that the financial situation is a prominent source of stress for Canadians doesn't surprise Catherine Raymond, Doctor of Neurological Sciences at the University of Montreal. "Canadians are in debt and have fears about their retirement. Finances are certainly a significant source of stress for people."

She makes a point, however, to remind us that stress has its upsides: "It's an adaptive strategy that has been helping us since prehistoric times to confront threats and to perform well. The problem is when stress is no longer sporadic, but chronic."

Yet, many stressful financial situations, such as the persistent difficulty in earning a sufficient salary or putting enough money aside for retirement, fall into the category of long-term stress factors.

Troubled Sleep

Fifty-one percent of women who participated in the study published by the FPSC state that financial stress disturbs their sleep, a situation that 40% of the men asked found themselves in as well. Thirty percent of female respondents indicated that money worries cause them anxiety, against 17% of their male counterparts.

According to Julie Carrier, Psychology Professor at the University of Montreal and member of the Center for Advanced Research in Sleep Medicine, the cause for disparities between the two sexes remains to be seen. It is clear to her, however, that “sleep should be on equal terms with diet and physical exercise in the health equation.”

She explains: “Stress causes difficulties in concentration, memory and learning, sleep deprivation harms the cardiovascular system, immunity system and hormonal regulation.” Because if stress leads to insomnia, the person’s lack of sleep increases the production of cortisol, a stress hormone that’s harmful over the long term.

To put an end to this vicious cycle, you have to address the source of your stress.

Learning to Cope with Financial Stress

Catherine Raymond explains that stress can have four causes: the feeling of loss of control over the situation, its unpredictable nature, its sudden appearance or even the perceived threat to our ego.

To effectively reduce chronic stress, she advises us to learn how to accommodate for these dimensions of stress. More specifically, in the case of personal finances, by preparing for and controlling unpredictable circumstances.

Look for Help

Meeting with an advisor to take stock of your finances is a good way to feel more in control and to deepen your understanding in terms of personal finances, which also contributes to limiting stress. “I help my clients manage their bank fees and other expenses, and to understand their credit rating. I also steer them toward setting up a savings plan that meets their abilities and their goals,” sums up Emmanuel Philippe, Banker, Wealth Management at National Bank of Canada.

Main Objective: An Emergency Fund

With regard to unpredictability, another ingredient of stress, we should attack it on two fronts: income and choice of investment vehicles.

To reassure ourselves about our future income, Emmanuel Philippe suggests setting up an easily-accessible contingency fund with enough in it for three months of expenses. How? By systematically setting aside 5% to 10% of our income, even if it's modest. "People often count on beginning to save once they make more, but this is a mistake. You need to make a habit of saving before all else," emphasizes the banker.

Emmanuel Philippe suggests adding a personal credit line to these contingency funds in case of potential tough times: "You don't touch it, so it doesn't cost anything in interest, but if you lose your job, you can use it at a lower interest rate than a credit card."

You manage to save, but you're worried about the ups and downs of the stock markets? A financial advisor will always suggest investments that respect your risk tolerance. "A good diversification in investments helps their stability," adds the banker.

"Often people look at banks through the lens of the interest they will collect, but we are also there to guide and advise our clients," puts forth Emmanuel Philippe.

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