



Life Lines

Improving your quality of life, one step at a time

Issue #11:

HOW TAKING CARE OF YOUR FINANCES CAN REDUCE YOUR STRESS LEVEL



Financial stress can affect more than your wallet; it can have a ripple effect, impacting your health and relationships. The relationship between mental health and finances in some instances are dynamically linked. Experiencing difficulties with your mental health may contribute to financial difficulties, and vice versa, as an example, failing to meet your financial obligations due to challenges with anxiety or depression or alternatively experiencing anxiety or depression due to mounting financial debt.

Stress is an important reaction that helps protect you from danger. When experiencing stress, your body releases hormones, adrenaline and cortisol, it increases your blood pressure, heart rate, and the energy needed for you to fight or flee from danger or crisis scenarios. Prolonged stress, has been linked to an increased risk of heart attacks, diabetes, hair loss, and depression.¹

Debt in Canada

In Canada, household debt as a proportion of household disposable income has increased to 167.8 percent, a record high.²

This means, for every dollar of household disposable income, Canadians owe \$1.67 in credit market debt. As debt continues to rise, the ability of households to absorb higher interest rates continues to deteriorate. Household debt has been identified as a key risk to the overall Canadian economy.

Living with debt has been linked to reduced physical health and increased susceptibility to experience a mental health disorder. Of particular concern are the implications for our youth. Recent estimates suggest average student debt in Canada has surpassed the \$25,000 mark upon graduation. The Canadian University Survey Consortium surveyed more than 18,000 graduating university students from 36 Canadian universities for its 2015 annual report. The average debt-ridden student owed \$26,819.³



If you are concerned about your finances, you are not alone. Many Canadians aren't saving enough money for retirement, or emergencies. So what can be done to lower your financial stress?

How to deal with financial stress

When dealing with finances, it is important to approach and search for solutions with a calm and logical demeanour. Here are some ways to help alleviate stress when dealing with your finances.⁴

- 1. Start communicating.** Speaking with your partner, family, or close friends is an important step in reducing your financial stress levels at home. Expressing your hopes and fears about your financial situation can help you work together to find a solution to your financial woes. If speaking to your partner, family, or close friends doesn't work, speak to a financial advisor, or a representative from your bank, they can help support you in achieving your financial ambitions.
- 2. Create some breathing room.** Reviewing your monthly statements and expenses are the first steps in understanding where your money is going. Analyzing your monthly expenses with your income and considering what expenditures can be trimmed can help create the breathing room you need to begin saving and minimizing your financial stresses. The more you live within your means, the greater financial freedom you will experience.
- 3. Take care of the "what ifs."** Understanding your fixed expenses (i.e. rent, mortgage, food, insurance etc.) can help you understand how much money you need to maintain life's essentials. Some economists suggest the ideal 'emergency fund' should amount to approximately six months' worth of fixed expenses. If you are able to set aside money to save, this may help alleviate stress in instances of disability, illness, job loss, or economic downturn.
- 4. Set realistic and achievable goals.** This is important to ensuring long-term financial security. Understanding your debts, how long it will take to pay them off, and what amount you want to have in savings can help you build a financial roadmap. Establishing goals can help to prioritize spending, balance your budget, plan for retirement, and pay off your debt.
- 5. Make it easy on yourself.** There are programs and plans that make saving and paying off debt easier than tackling it on your own. Setting up automated payments or money transfers to savings accounts can help you keep your financial house in order. Even setting up reminders to alert you of upcoming bills, or when you are being paid, can help you identify your spending priorities.
- 6. Unload debt.** Evaluate what debt you have and identify which carries the highest interest rate. Pay off high-interest debt first. Typically credit cards carry the highest interest rates. Develop a plan that targets reducing your credit card debt, as this will increase the funds available which can then be applied to lower interest bearing debt. If you have multiple credit cards, try consolidating the debt onto a low-interest credit card or loan. This will help to pay off the debt sooner, and free up funds for savings and investing.
- 7. Protect what matters most.** Protecting your family and your assets against unforeseen events is critical to minimizing your financial stresses. Ensure you have insurance, an emergency fund, and savings to help protect you from life's unexpected challenges.

If you take the steps to understand your finances, you can reduce your financial stresses, increasing both your physical and mental health.

How to \$ave Your Money



Buy food you can use in multiple meals



Buy in bulk



Think seasonally with produce



Make your own broth and stock



Make good use of your freezer



Build a budget



Create automatic payment and savings plans



Create a Tax Free Savings Account



Invest in an RRSP



Think long-term savings versus short-term pleasures



Taking public transit when suitable



Pay off high interest loans or credit cards first



Use energy in non-peak times (ie. Laundry, cooking etc.)



Evaluate purchases based on needs versus wants



Quit smoking



Limit drinking



Cook your own meals versus eating out



Consolidate cable, television, and internet providers



Buy clothes that you only need and are classic styles that don't get outdated



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