



Life Lines

Improving your quality of life, one step at a time

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FINANCIAL STRESS



Nearly 1/3 of Canadians spend about one hour each day worrying about their finances.¹ Financial worries often top the list of people's concerns, even more than thinking about their health.² It may not be surprising given the world we live in today. Uncertainty concerning economic conditions, cost of living, growth in salaries, and the increasingly precarious nature of work create vulnerability and uneasiness. It's compared with an interesting phenomenon that could be argued is partially self-inflicted: Globally, there's an undeniable fixation on consumerism. Social media provides a constant showcase of luxury products and ideals that influence purchasing decisions and spending habits in a way that many people find hard to ignore. The problem is that it's causing many people to get caught up in lifestyles that are outside of their actual financial means.

Whether we're browsing online or visiting a physical store, shopping has overwhelmingly moved from a need and want basis, to one of entitlement that is conveniently disguised as self-care. Marketers and retailers offer encouragement by telling us repeatedly that we deserve to be the proud owner of the objects of their campaigns. They tempt us to escape from some aspect of our daily lives by participating in intense sessions of retail therapy. The irony is that all of these behaviours are not making us feel better over the longer term. The items you bought that you really didn't need are actually contributing to a far more debilitating risk: existing and daunting amounts of financial stress.



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When bills arrive that can't be paid; when you worry how to create a meal with the insufficient groceries left until next payday; when you realize that the products you happily bought no longer provide that sense of euphoria, these are all times when financial stress peaks and affects people's physical and mental health.³ In fact, while you may think of financial stress as something that happens in the moment, studies show it affects us chronically, manifesting as poor health, relationship difficulties, crippling debt and uncertainty about the future. At its most severe, financial stress can trigger anxiety and become a contributing symptom of depression.

While a little bit of stress in your day is healthy and can be the catalyst that motivates you, chronic financial stress is "especially toxic" and persistent.⁴

Physically, financial stress can show up initially as a cold or the flu and then escalate to include stomach aches, generalized pain and headaches. The longer the stress continues, the more people are at risk of developing hypertension, heart disease, diabetes, and even experiencing flare-ups of auto-immune disorders like rheumatoid arthritis.⁵

From an emotional and mental health perspective, chronic financial stress can trigger anxiety and depression. Untreated, people can resort to unhealthy coping mechanisms that bring added complications. Behaviours such as stress-shopping, engaging in harmful substance use, or even gambling, can compound underlying mental health issues. It's also possible for people to develop unhealthy relationships with food or within family relationships as reactions to growing and seemingly unmanageable levels of stress.

Addressing your financial situation is essential because as you learn how to manage it better, the sources of stress are reduced or eliminated. You'll feel like you are regaining control of your life and can look to a defined and more stable financial future.

One of the best ways to understand your financial situation and begin to reduce stress is to start with basic budgeting. Making a list of all monthly income and spending, break it down into non-discretionary (musts) and discretionary (nice-to-haves) categories. Once you look at where your money is going and how you are spending it, you can begin

to understand your cash-flow, learn about your spending patterns, and see where your spending traps exist, which can allow you to formulate a plan of change. Initially, you might want to move to using cash-only until you get a better idea of how to work within a budget. Seeing where and what you are spending on is important. Many financial transactions today are cashless, and overspending can occur with ease. Put your debit card away for a while so you can observe the rate at which you spend. That might include an audit of money wasters that tempt us every day, like upscale coffees. It could also reveal how much can be saved in invisible spending, like bank fees.

Another area to focus on is managing credit responsibly and wisely. You should know your credit score and understand the significance it has in your personal economy. It's used to grant you credit for vehicles, housing, and even as a measure of responsibility and trustworthiness by some employers. You can request your credit report from Equifax Canada and TransUnion Canada. These are the only two credit bureaus that operate in Canada, and they offer information about both your credit history (credit report) and credit scores (creditworthiness). Be smart and hold only the necessary amounts of credit that you can manage so that you can pay these bills on time.



It is in your best interest to pay off any credit purchases monthly, so you will not accumulate interest charges. However, many Canadians do carry a balance on their credit accounts. Regardless, you should investigate what fees, interest rates, and limits are there as controls on your account. You should also look at what kinds of purchases you are making on your credit card. If you are shocked by any of these, contact your credit card lender. You may want to see if there is a different product available to help you manage your credit better. They will also be able to help you if there are fraudulent charges billed to your account.

You can pay off multiple credit card debts using what is often referred to as the “snowball” method of repayment. With it, you start aggressively paying off the smallest debt with extra discretionary funds, while continuing to make the minimum payments on each account. When the smallest debt is gone, close the account. Next, put everything you had been paying on that card onto the next-smallest balance, in addition to the minimum payment. Keep repeating this process until you work through all of the debt on your credit accounts. Ensure that you only use credit for emergencies, large purchases, or travel and that you have the funds to pay the debt off as soon as possible. Some people have been known to stop carrying their credit cards and freeze them in a block of ice to avoid temptation. While you may not need to go to that extreme, evaluating your knowledge and use of credit is still an essential part of reducing financial stress.

Developing better awareness of your finances may help you re-evaluate whether or not you actually need to spend your hard-earned money. Avoid temptations presented through social media. Trends such as subscription boxes and “free” prizes often require you to provide your credit card information to receive these “limited-time offers” and exclusive deals for you alone. Do you really need to belong to a product-of-the-month club? Know that online advertising is targeted using complex algorithms that are based on your browsing activities. You may be able to configure some user settings to increase privacy and reduce the frequency and types of advertising that pop-up online.

Here are some other things to watch for:

- Avoid using online and app-based food delivery services. Prices are often inflated to build in some profit for the service. Consider limiting the frequency of eating out or “ordering in” to once a month or every few months. Preparing and eating home-cooked meals is much easier on your finances and often much healthier.
 - Online shopping can be swift and tempting. Consider unsubscribing from marketing emails that are sent to advertise sales and encourage you to shop deals offered during “flash sales” because you likely don’t need the products. Don’t get caught up in corporations trying to influence your buying. You need to be the one in control. It doesn’t mean you can’t ever shop online but do so on your terms. If you are considering purchasing garments, evaluate both the quality and the value in terms of “cost per wear” to determine when you will have gotten good use from the item of clothing. If it’s something you will only wear once or infrequently, try to avoid high costs, as you won’t recoup the value with multiple uses.
 - Similarly, don’t get caught up in the marketing around upgrading technology with each new release that a manufacturer issues. Think about the purpose of your devices, like computers and mobile phones, and whether the current model is still meeting your needs. The same holds true with vehicles. You should aim to get as much use from these products as possible while they are performing the job you need them to do. Plan to conduct a review every few years or when something is no longer operating or serviceable.
- Another area to explore is the surge in popularity in the second-hand/up-cycling economy. There are many online tools available to purchase gently-used or sometimes like-new goods from sellers. Thrift stores also can be a good source for many household and clothing items. As demographics shift, many households are downsizing and having an estate or garage sale. You may consider selling or donating some of your own goods through these tools to de-accumulate things you no longer need.
- You should also be wary of luxury products being marketed by celebrities and influencers. They are often too good to be accurate and do not stand up to their claims.

A final step on the path of reducing financial stress is actually looking ahead. Consider realistic needs that you may have in both the short and longer terms. Are you considering a vacation? Why not set aside savings within your monthly budget to help pay for it without creating financial strain. Do you have an upcoming event where you will need to purchase something to wear? Again, work within your budget to save in advance so that you don't overspend. You can also apply this methodology to celebrations throughout the year. Establish a budget for gifts and save in advance so that you are well prepared and know exactly how much you have to spend. Then, turn to longer-term savings for retirement through investments. Developing a financial plan might sound intimidating, but it doesn't need to be complicated. You can start by saving as little as \$20 a week. The point is that you are breaking bad financial habits and developing healthy ones. You can work towards expanding your retirement or investment savings more fully once you have alleviated immediate stressors such as credit card debt.

Overall, reducing financial worries and managing the stress positively and proactively by facing challenges head-on can help people develop a healthier, more balanced approach to finances – where stress is minimized – and a healthier self. Taking control of your financial situation and making many small improvements in managing your finances will help you gain momentum. Don't forget to celebrate little goals along the way as you take control!

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