

Financial wellness: How you can achieve it

Commentary by Annie Wilson

Annie Wilson is a senior behavioral scientist at Vanguard. She received her Ph.D. in marketing from Harvard Business School and her B.A. in English and psychology from Georgetown University. Annie is an expert in theories of consumer psychology, judgment and decision-making, and experimental research.

Introduction

Can you handle unexpected expenses? Do you overreact to market volatility? What's your outlook for your financial future?

Answering these questions can help you analyze the state of your financial wellness—from how well you deal with economic stress to how you react to a booming economy and bullish stock market.

Your financial wellness doesn't exist in a vacuum. It's an essential feature of your overall well-being. So what is financial wellness, exactly?

For many people, being financially well means existing in a state of "nevers." Never experiencing financial stress or anxiety; never feeling challenged financially. In short, always being blissfully content with the status of their finances.

However, financial wellness shouldn't mean the total absence of financial worry or uncertainty. Stressful moments will occur in everyone's lives. In fact, some concern over financial matters may motivate you to act. Challenging yourself to achieve lofty financial goals can be exciting and rewarding!

Instead, financial wellness means having a strong enough foundation and a clear financial strategy to make setbacks more tolerable and financial adversity and healthy risk-taking less daunting.

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Consider how authors Emily and Amelia Nagoski describe wellness: "To be well is not to live in a state of perpetual safety and calm, but to move fluidly from a state of adversity, risk, adventure, or excitement, back to safety and calm, and out again."*

Financial wellness is about more than having a concrete plan for personal finance and investing. It's understanding how that plan fits harmoniously and dynamically within the context of your life.

So how do you reach—and maintain—financial wellness? You can build a sustainable foundation for financial wellness by applying the 4 main pillars of well-being to your personal finances: focus, balance, calm, and inspiration. Let's explore each one.

A focused investor sets clear goals

Do you have specific financial goals and a plan to achieve them, or do you procrastinate instead of tending to financial tasks? Maybe you're a good saver but don't have clear goals in mind, or you have goals but lack the motivation or knowledge to achieve them.

Being a focused investor means you:

- Are engaged in your financial situation.
- Prioritize your financial goals.
- Don't shy away from your financial to-do list.
- Are enthusiastic about creating a strategy and managing your goals.

Focus is essential to financial wellness because it fosters progress. Without clear goals, it's difficult to come up with a financial strategy to work toward those goals. And without a strategy, it's difficult to measure success.

Vanguard investors are 14% more likely to say they're focused on the long term.**

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A balanced investor has a steady approach

Financial wellness involves striking a healthy balance when diversifying investments, spending or saving, or taking on risk.

You may find balance difficult to achieve if your natural tendencies aren't balanced. Maybe you prefer to spend more than save, you're not comfortable with the suggested amount of risk for your age and wealth status, or you're unsure what allocations or strategies constitute a healthy balance.

If you're an investor who practices balance, you:

- Save adequately for retirement and other important goals.
- Have a diversified portfolio that offers growth potential and mitigates market volatility.
- Accept an appropriate amount of investment risk so as not to miss out on financial gain.

Without financial balance, you could face a host of negative outcomes and miss out on achieving the milestones you envision.

Vanguard investors are 65% more likely to be self-taught investors.**

A calm investor is patient

If you're a calm investor, you're more likely to feel your financial plan is on track and see the value in waiting to reap the rewards of a thoughtful investing strategy. Your financial situation doesn't make you nervous, foster negative emotions, or cause extreme worry and anxiety.

Being a calm investor means you:

- Are comfortable with staying the course of your financial plan.
- Can adapt your financial decision-making when necessary.
- Are less likely to overreact to market volatility.
- Avoid acting on a whim or making hasty decisions to your financial detriment.

You trust the process and take a mindful approach to financial decisions. As a result, you're more content and confident with where you are on your financial journey.

Vanguard investors are 19% more likely to say they don't react to volatility.**

An inspired investor has an eye on the future

Are you seeking financial independence? What lifestyle do you want in retirement? Do you plan to leave money for your heirs? Having a vision for your financial future will guide your decisions and strategies today.

You're an inspired investor if you:

- Have a clear vision of what financial success means to you.
- Set financial goals that can help create your desired lifestyle.
- Understand how financial success fits in the context of your other life aspirations and values.
- Are honest about the life you want to create for yourself and your beneficiaries.

Whatever your personal inspiration for seeking financial wellness, it's easier to determine your path to success when you have a destination in mind.

Vanguard investors are 10% more likely to say their investment philosophy is planned rather than spontaneous.**

Notes: **The Quality of Life: 2021 Redux study was conducted by market research firm Kelton Global from January 28, 2021, to February 26, 2021. The company surveyed 705 Vanguard clients and 1,100 clients of other investment firms. All differences between Vanguard clients and clients of other investment firms are statistically significant at the 95% confidence level. The experiences of these Vanguard clients may not be representative of the experiences of other Vanguard clients and aren't a guarantee of future investment performance or success. Quality of Life: 2021 Redux. Kelton, 2021.

Putting it all together

The 4 pillars of financial wellness are most effective when they work in concert.

Focus can help you set and pursue your goals.



Balance can help you stay on track as you work toward those goals.



Calm can make the pursuit of those goals more comfortable and setbacks more manageable.



Inspiration can give you a vision of your future that guides the pursuit of your goals.



Approaching finances with this holistic mindset is key to achieving financial wellness. Reflect on what your wellness strengths and opportunities are and focus on maintaining those strengths and working on the opportunities.

And remember, wellness doesn't mean you'll have no worries or moments of adversity; it means those moments are more manageable and less daunting, and that you can effectively move through such experiences and return to a state of confidence and calm.

Your financial wellness is unique to you—how you attain it should be too. **We're here to help you as you build and strengthen the pillars of financial wellness to support your whole financial life.**

Notes:

- All investing is subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.
- This information is intended to be educational and is not tailored to the investment needs of any specific investor.

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