

4 Important Drivers to Consider for Your Financial Health



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Your financial health, or the state of your personal monetary affairs, can impact your physical health and overall well-being. Spending, borrowing, saving, and planning are the four main drivers of your financial health. It is important to periodically review your financial health and determine if your investments and actions today align with your goals for the future. We will discuss how to measure your financial health, how the drivers can impact your plan, and how to identify unhealthy behaviors and helpful tips to get back on plan.

1. Spending | Reviewing your spending and understanding how debt can impact your financial health

Reviewing your net worth change over different periods is a great way to measure your financial health but it may not provide you with insight into what is causing the change. Understanding monthly and annually, how much income you earn and from where, how much you spend and where, and how much debt you carry are key components to measuring your financial health. Most experts recommend you spend no more than 30% of your gross income on housing expenses. Understanding how much you spend to pay off debt relative to your income will help you manage your disposable income. Mortgages can be great for your financial health, allowing you to increase your net worth. The interest rate environment makes purchasing a home very appealing, but you will want to be thoughtful on how much the home value will represent of your total net worth. Credit card debt and high-interest loans or certain car payment plans can negatively impact your financial health.

2. Borrowing | Building and utilizing a budget

Once you understand your income and debt obligations, you will want to gain an understanding of what you are spending and where it is going. Utilizing a budget, reviewing your credit card statement, and using some of the applications and tools available can help you categorize your spending. It is important to be honest with yourself and you may find looking at historical spending to see where you are today may help. Try to categorize your expenses to help you determine how you want to allocate your disposable income in your plan, what costs are fixed, and what can be changed on a consistent basis. If you find you spend more at certain times of the year, you will want to include that in the budget.

3. Saving | Preparing for the future: savings, retirement, and investments

After determining your spending habits, you will want to consider what you are paying yourself through savings, retirement, or investments. Compounding interest and consistent savings habits can yield amazing results. Whether you are taking advantage of your employer's match or working with your investment advisor to manage the flows from your investment account to allow the funds to appreciate over time, saving is integral to improving your financial health.

4. Planning | Aligning your financial health plans with your investment plans

Understanding your situation and developing realistic goals will help you plan to improve your financial health. It is important to align your financial health plans with your investment plans and policy. It can be difficult to modify spending behaviors but small changes over time can create a large impact on your plan. Being fair, honest, and forgiving with yourself can help you identify where you want to change and make real change. Your plan will likely change over time as your life changes, but it is important to revisit when you experience large life events.

We are here to help. If you have any questions or would like to discuss your financial health, [please contact us](#).

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