

What Is a Financial Wellness Plan?

The Consumer Financial Protection Bureau defines financial well-being as:

- Having control over day-to-day and month-to-month finances;
- Maintaining the capacity to absorb a financial shock;
- Being on track to meet financial goals; and
- Having the financial freedom to make choices that allow you to enjoy life

A financial wellness plan is a strategy that strives to address these objectives. Let's take a closer look at each one.

First, having control over day-to-day and month-to-month finances.

The key to having control over your finances is working to make sure that your expenses are consistently lower than your income.

This means creating a budget and actively managing it over time as your income and financial needs change.

Second, maintaining the capacity to absorb a financial shock.

Typically, this refers to having enough emergency savings and insurance.

Life is unpredictable and financial setbacks happen. An emergency cash cushion and adequate levels of insurance can help see you through life's inevitable challenges.

Third, being on track to meet financial goals.

This means you've identified your goals and developed an investment strategy to pursue them.

It also means that you revisit that strategy at least once each year and when major events happen in your life, such as a marriage, the birth of a child, or inheriting a sum of money.

Fourth, having the financial freedom to make choices that allow you to enjoy life.

Don't we all want to achieve our dreams?

This might include travel, hobbies, starting a business, owning a comfortable home, or simply enjoying time with family and friends.

A well-thought-out financial wellness plan puts you in the best position to pursue long-term financial freedom. This can, in turn, help foster your overall well-being.

While some people may try to create a financial wellness plan on their own, others may need the guidance of a financial professional.

Although there is no guarantee that working with a financial professional will lead to success, an objective opinion can help you ensure that no area of your financial life is overlooked.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Although there is no assurance that working with a financial professional will improve investment results, a financial professional can evaluate your objectives and available resources and help you consider appropriate long-term financial strategies.