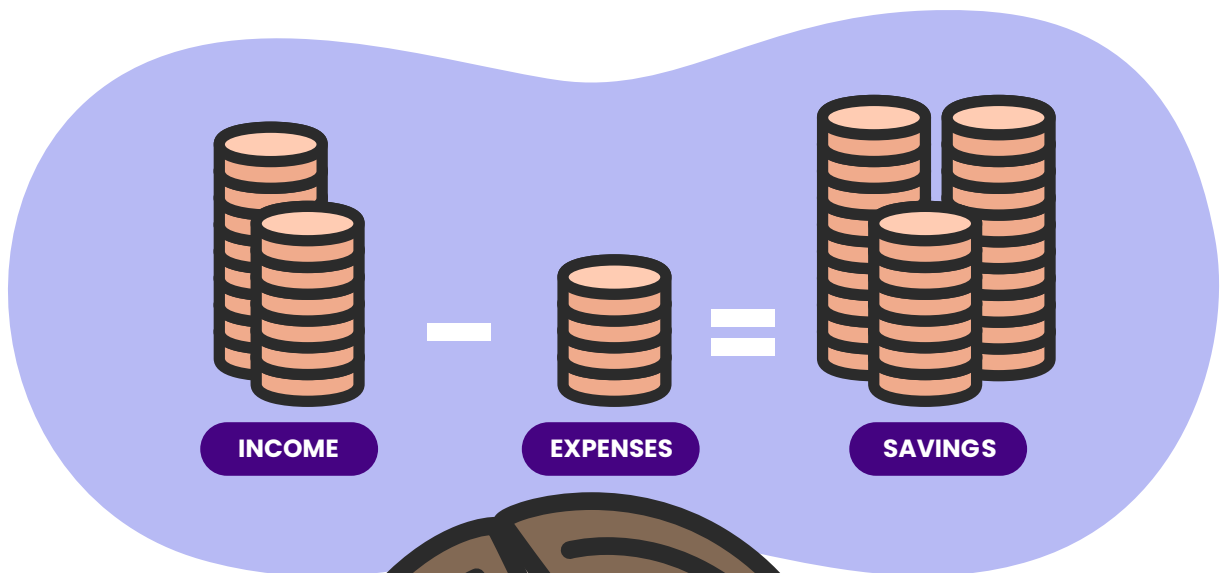


# How to give **your financial wellbeing** the focus it deserves

The first step to financial wellbeing is awareness. Awareness of the choices you are making, the actions you are taking, and whether they align with your goals. The second step is to take charge. Taking charge of your finances can be scary at first, but it will ultimately lead to greater peace of mind and freedom in the future. Here are practical steps that can help you get started on this journey today.



## What is financial wellbeing?

Financial wellbeing is not just about managing your money. It's about understanding what drives your spending habits and where your money goes so you can make better decisions. This includes knowing how to manage debt, saving for retirement, investing wisely, and protecting yourself from fraud.

## Better financial wellbeing: Understanding the five pillars

It's important to understand what financial wellness means to you before you start looking into ways to improve your financial situation. For some people, financial wellbeing means having enough money to pay bills and cover basic expenses. Others may want to save for retirement, invest for long-term growth, or build wealth for their family. Whatever your definition of financial wellbeing, here are five pillars that everyone needs to consider.

### 1. Income

Your income determines how much money you earn each month. If you consistently spend more than you earn, then you're not being responsible with your money, which affects your financial wellbeing. It's a good idea to make sure you know how much is coming in and going out each month, so you can be sure that your income will cover your expenses.

### 2. Assets

Your assets, (that's things like your home, car or expensive things you own that hold a lot of value) determine how much money you have available to use in case of emergencies. Ideally, you'd also have some money tucked away for a rainy day, just in case you need to access funds quickly. But home equity or retirement accounts can also provide stability and security.

### 3. Savings

Saving money helps you accumulate assets faster. When you put away small amounts each week, you create a snowball effect that adds up over time. By building up a nest egg, you become less dependent on your paycheck.

### 4. Insurance

Insurance protects you from unforeseen financial disasters that you wouldn't be able to afford on a day-to-day basis, but it can be a minefield to navigate. You may already have a life insurance policy, to help your loved ones with the cost of funeral services and burial plots, but other types of insurance exist too.

- Term life insurance protects against medical costs after death.
- Disability insurance pays benefits if you cannot work due to illness or injury.
- Long-term care insurance covers nursing homes and assisted living facilities.
- Annuities offer tax advantages through qualified withdrawals.

Researching what's available online is a great place to start.

### 5. Debt

The more short-term debt you have, the harder it is to borrow money. The most common form of debt is credit card debt. Paying off credit cards early can free up hundreds of pounds per month. Avoiding unnecessary consumer debt can give you extra money to save or invest.

## What is financial literacy?

Financial literacy is the ability to understand basic concepts related to money management. It includes understanding the different types of investments available, knowing what to look out for when investing, and being able to manage your finances responsibly.

## 6 ways to become financially literate

Financial literacy is not something you can just pick up overnight. It takes time and practice to develop the skills needed to understand money and manage your finances well. The best place to start is by tracking your spending and saving habits using one of the many tools out there. You could also join a community of people who share similar



values and interests. This way, you can learn from each other and build a strong network of friends and mentors. If you want to become financially literate, there are six key areas you should focus on:

### 1. Understand your current situation

You must first understand your current situation before you can begin changing anything. You need to identify your income sources, expenses, assets, liabilities, and debts. Once you have a clear picture of your financial life, you can start to think about how to improve it.

### 2. Take control of your finances

Once you've got a handle on your incomings vs your outgoings, it's time to think about your goals. Think about what you want to achieve and where you'd like to be in a year. Set a goal, like 'save for a holiday' and decide on an amount you need to make it come true. Some banks will let you do this with apps, or you could create a spreadsheet. Remember to monitor your progress as you go along. Don't beat yourself up if you miss your target one month. Just keep adding what you can and working towards your end goal. Visualising your target will really help.

### 3. Make smart financial decisions

Smart financial decisions can include everything from staying within your monthly budget, to choosing an investment strategy based on your risk tolerance. Try to think about making a 'smart decision' everytime you use your money. You might need to do a bit of research first, or take a moment to pause before you commit to spending. Little habits like this can make all the difference in the long run.

### 4. Manage your debt

Debt management requires discipline, especially if you have high-interest rates or variable payments.

To avoid getting into trouble, you need to set up automatic bill payments and stick to your payment schedule. If you miss a payment, contact your creditors immediately so that you can work out a new repayment plan.

### 5. Save for retirement

Many people have their retirement planning managed through work. If you're not one of those people, retirement planning involves developing a long-term savings plan and sticking to it. This means contributing regularly to a retirement account, even if you are still working. However, it also means having enough money saved to live comfortably during retirement.

### 6. Invest wisely

Investing is a great way to passively increase your wealth and make sure you don't lose any of it. There are many different types of investments, including stocks, bonds, mutual funds, real estate, and commodities. There are loads of personal finance sites out there which help demystify these terms.

### Financial wellness checklist

Here are some questions to ask yourself:

- Do I know where my money goes?
- Are there any areas where I'm overspending?
- How can I better manage my money?
- How can I reach my financial goals?

The best thing about financial wellness is that it's never too late to start. Once you've identified what needs to change, you're ready to move forward. Contact your Validium service for more information and support on money and debt issues.

