How to manage financial stress in uncertain times

Managing your own financial risks means doing your best to prevent a bad situation from getting worse. It also means you might be able to prevent a catastrophe in the future or be able to deal with it better.

BY JEFFREY ANVARI-CLARK

As an assistant professor of social work, I have found through my research that differences in how people experience, behave toward and feel about their personal finances have as much of an impact as do their age and gender on certain financial decisions. And those decisions, in turn, can affect their income and wealth moving forward.

Improving your 'financial efficacy'

Scholars like me use the term "financial efficacy" when we are assessing whether someone has personal finance know-how and the ability to put it to good use. People with a high level of financial efficacy can be more able to weather bouts of financial hardship and build wealth. Although everyone's situation is unique and individual resources vary, there are still five broad areas that personal finance experts say are linked to good financial outcomes; emotional regulation, problem-solving skills, an ability to achieve goals, self-confidence and risk management.

Being calm and carrying on

Remaining calm in the face of a potential or real financial crisis tends to make it easier to think through important decisions. In contrast, reacting out of fear often leads to mistakes or quick fixes with costly long-term consequences. For example, rushing to fix a problem could lead you to take out a pay-day loan with high interest rates and fees. That is why you should avoid making big financial decisions in a hurry.

Waiting until you feel calm, perhaps giving yourself 24 hours to think it over, can protect you from making a bad situation worse. But don't wait too long procrastination can lead to late fees and compound your problems.

Keeping your emotions under control depends on having healthy coping mechanisms for stressful situations. And having healthy habits helps to manage that stress.

Problem solving with some creativity

Solving financial problems is an exercise in improvisation. This includes finding creative ways to increase your income through a new job or side hustles and to reduce your expenses. Or look for solutions that will buy you more time, such as negotiating a repayment plan for an outstanding bill. This perseverance and resourcefulness often requires relying on skills you've used in the past. And it may help if you seek advice from people who you know have made good financial choices before. But be wary of the so-called finfluencers, short for financial influencers, who are active on social media. Instead, learn from the experts who focus on consumer protection and unbiased education.

Setting goals and keeping track of them

Achieving goals can be a short-term activity, such as solving an immediate problem, or a longer-term process. It means keeping a clear outcome in mind and being able to tell when you have met a goal. More complex goals may need to be broken down into multiple milestones to stay on track.

Whenever you are in deep financial trouble, try to closely monitor your income and expenses. Adapt your budget according to what is important to you. This will increase your sense of control over the situation. Listing all your debt on paper or in a spreadsheet helps reduce anxiety and fear of the unknown.

Having the plan helps you see a real way toward a financially stronger future. Then, take action and start paying them down. One possibility is to ask creditors for an extension or modified repayment schedule for a mortgage or car loan. Communicating with them up front shows them you are taking responsibility, and they will be more likely to work with you.

Solving financial problems is an exercise in improvisation. PHOTO\FILE.

Gaining more self-confidence through practice

It is always easier to be confident that you can achieve something if you have done it before. This is how confidence builds on itself. Improving your money management confidence and skills can reduce your anxiety and stress in the moment. It can show you those areas of your financial life that are within your control and illumine the way forward to a healthier financial future.

Planning ahead reduces your risks

Even if your finances are fine today, I would advise you to plan ahead. It is important to identify your own informal safety nets before you need them. By regularly setting aside some of the money you earn, you can simultaneously manage your risks better and develop the skills to achieve bigger goals. Managing your own financial risks means doing your best to prevent a bad situation from getting worse. It also means you might be able to prevent a catastrophe in the future or be able to deal with it better.

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