

Stressed after a sudden financial shock? Help is at hand

Consumer anxiety over personal finances is now even greater than anxiety about personal health, [according to research conducted across more than 50 countries by Kantar](#), as economies remain in lockdown due to the Covid-19 pandemic. But there are ways to reduce this stress



The unprecedented depth and breadth of the economic slowdown has left millions of people around the world without jobs and millions more uncertain about their financial outlook. Among those who reported that their incomes have already been impacted (37%), 44% reported an income loss of half or more. This equates to 16% of people in those countries, [according to Kantar's research in G7 countries](#).

This crisis is first and foremost about people, not statistics. So, what if you are someone impacted by job loss or have a business which has seen revenues drop suddenly and massively? In my [article](#) published last week, I outlined the 10 steps that matter most to move forward. Step 5 said: "Stay calm and rational. Goal setting, emotional control, and attentional control have been shown to make a difference to people's financial situation." One practical way of managing stress is

to actually picture a brighter future for yourself, as [research shows](#) this can help you to take the necessary steps to get through these difficult times.

Needed: positive future images and a plan for three months

When left with the financial consequences of a life event and/or a societal event such as Covid-19, it is important not to get stuck in an inactive or negative mindset.

Instead, you should allow yourself two things: 1) images of you (and your loved ones) in a better near future situation and 2) a plan to make that happen. Here are some practical actions that can help you cope with a new and challenging financial situation:

1. Think of three positive future images of yourself (and loved ones) in three months from now. Many pictures are conceivable, as long as you (or/and loved ones) are in those images. Moreover, they should be specific. So for example, a picture of you having a nice (luxurious) dinner again, or you having enough money to do what you like to do as a result of a newly found job, business deal or other sort of income or source of saving. You could also picture yourself looking at your bank statement with a happy or at least positive face.
2. Think about one **financial goal** that matches each image and that you would like to have achieved after those **three months**.
3. Then, give a priority order from one to three to these images-goals pairs and assign **one goal per month**.
4. Now, make a list of **four actions per goal** to try out (**one action per week**).
5. Make sure that your three financial goals are also part of your further emergency plan for week two until month three (see step 8 in my previous [article](#)).
6. Move each week forward to try and achieve what you planned that week; don't blame yourself if you haven't managed to fully achieve it, but do your utmost to achieve the monthly goals and to achieve three goals after three months.

The behavioural science behind this is that picturing a brighter future self helps with:

1. Managing or reducing current stress levels. Having a (written) financial plan has shown to reduce stress levels.
2. Your motivation for (financial) planning and setting goals. Setting (financial) goals and breaking them down into smaller steps (week by week) will encourage you to take action and show positive behaviours.

How your mental state influences financial behaviour [has been researched](#) extensively in the past. However, not enough is known and even less has already been applied to a satisfactory degree by the financial industry and others. An example of recent research on the topic is this ongoing TFI project about how to offset the harmful effects of financial worry; an outline can be found [here](#).

Research intended to help people take their financial future into account is often related to savings and less about “using” the future (or in this case: a positive future image) to help manage stress and current finances. But [taking practical action now can improve](#) both the financial present and future. Start with an image and a financial plan, and take it step by step, action by action, week by week, month by month.

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