**Hello, this is Helen Jones and Cynthia White coming to you today for our first Podcast on small steps to Health and Wealth.**

**There are many similarities in Health and Wealth, which people are not aware.**

Health and wealth are both important resources for living a happy and successful life. People in poor health often die young and spend thousands of dollars (that could have been invested) on health care costs. On the other hand, those who practice recommended health behaviors are more likely to exceed average life expectancy and need a large nest egg to insure that they do not outlive their assets.

Health and personal finances are both closely associated with happiness.

Studies indicate that people are happier when they are healthy, employed, married or in a long-term committed relationship, and financially secure.

**1. Problems develop gradually -** Weight problems usually develop gradually, such as gaining 3 to 4 pounds a year due to increasingly sedentary lifestyles and larger food portion sizes. According to U.S. Department of Agriculture surveys, the caloric intake of American adults has risen from 1,854 to 2,002 calories per day over the past 20 years. This is a 148 calorie per day increase, which equals a weight gain of about 15 pounds per year. Americans are simply consuming too many calories in relation to their level of physical activity.

Comparable financial examples are ''perma-debt" (i.e., a permanent debt balance on credit cards) and increasingly higher interest and/or fees as outstanding balances rise. Credit card issuers also routinely charge over-the-limit fees, often $29 to $39, for each billing period where a cardholder’s balance exceeds his or her maximum credit line.

Another common practice today that exacerbates household debt is penalty annual percentage rates (APRs) that are charged when a "trigger" event occurs. Common triggers include late payments, exceeding one's maximum credit line, and evidence of financial difficulty, even with another creditor, in a cardholder's credit report. When a penalty APR is triggered, relatively small credit problems can mushroom very quickly.

**2. Less stigma due to increasing frequency -** With almost two-thirds of Americans having "weight issues" and well over one million bankruptcies filed annually by consumers for almost a decade, health and financial problems have gone ''mainstream" and are more tolerated, if not accepted, by society. When many people are doing the same thing or have the same characteristics, it is hard to view them as "abnormal."

A factor related to both health and financial problems is the increasing number of people who lack health insurance. About half of those who file for bankruptcy report that medical debt is a problem. Medical debt typically has fewer stigmas than other credit card purchases. The number of people without health insurance is also a big risk factor for inadequate medical care. Some people forgo health care because of existing medical debts and/or high out-of pocket expenses.

**3. Impacts job productivity, discrimination -** Overweight and unhealthy people often have a difficult time getting hired and some may have difficulty performing the duties associated with their job. All things being equal, employers generally prefer to hire thin, attractive workers who they perceive to be more productive, better able to interact with customers, and/or be less likely to become ill or injured and require medical care. Studies by the Bureau of Economic Research

indicate that the earnings of overweight and obese women are impacted negatively by their appearance.

Personal finance problems also affect job productivity. One widely quoted study by Garman et al. estimated that 15% of workers have: financial problems (e.g., high credit card debt) that negatively impact their job productivity. There's also another direct link between personal: finances and one's ability to land a job. Many employers today check the credit scores of potential employees, as do creditors, landlords, and auto insurance companies. Credit scores are, in effect, a type of character reference and past

"blemishes" (e.g., charged off debts) can prevent someone from getting hired.

**4. Lots of technical jargon -**

* + **Medical terms and directions**
	+ **Financial terms and acronyms**

A 2004 Institute of Medicine study found that nearly half of American adults have higher risks of health problems due to trouble following instructions on drug labels, interpreting medical consent forms, and understanding a doctor's instructions.

Comprehending investing terms and the often-arcane language of personal finance is also a challenge for many people. Acronyms like REIT (real estate investment trust) and

NAV (net asset value, a term used with mutual funds) can seem like a foreign language to financial novices. Worse yet, both personal finance and health information often contains contradictory "expert" opinions or research results, making it very difficult for lay audiences to know how to interpret and use conflicting findings.

**5. Need for programs in schools & at work sites -** Much has been written about poor school lunch choices and children's lack of adequate exercise and financial illiteracy. Not surprisingly, some schools have started to implement (or reinstate) physical education and personal finance programs and are reporting positive behavior changes as a result. Many more schools, however, need to offer these programs.

Just as children can be reached with health and personal finance programs at school, employer-sponsored programs can enhance adults' knowledge and prompt behavioral changes. Examples of health initiatives include a company gym or exercise program, healthy vending machine or cafeteria options, and health screenings.

**6. People fear drastic changes & large numbers -** Many people believe they must make major lifestyle changes to be healthy and wealthy. So, instead, they "freeze" and do nothing. A 2004 U.S. Department of Health and Human Services press release alluded to the importance of just getting started: "America needs to get healthier one small step at a time. Each small step does make a difference, whether it's taking the stairs, instead of an elevator, or snacking on fruits and vegetables instead of greasy chips or sugary foods. The more steps we can take, the further down the road we will be toward better health for ourselves and our families." Similarly, some people fear never having "enough" money saved for retirement because they've seen gloomy reports about unprepared retirees needing seven-figure sums.

However, any positive change (e.g., saving $1 a day or 1% more of one's salary) is better than none. The trick is to get started today.

**7. Need for more “point of purchase” information -** Unlabeled food items, like restaurant meals, are a challenge for people watching their weight. There is no nutrition label to look up calories, fat content, etc., making it difficult to tell a 300-calorie muffin from one with 600 calories. A financial example of needed "point of purchase" information is the repayment time and interest cost of a credit card balance where only minimum monthly payments are made. To provide this information, some credit counseling agencies and personal finance magazines have

online calculators that show the total repayment time and interest cost of making minimum payments and the amount saved by paying more than the minimum due. See *Small Steps to Health and Wealth™Resources* for a list of recommended Web sites.

**8. Advice needs to be realistic -** A recent *Wall Street Journal* article questioned whether government nutrition guidelines are out of touch with the way Americans actually eat. Specifically, it asked whether most American households are able to consume the recommended amount of seafood due to time and money constraints. This same type of "reality test" also needs to be given to "ideal" financial advice (e.g., saving 10% of gross income) that is widely ignored because it is unrealistic for many people. It is far better to save a smaller amount (3% to 5% of gross income with gradual increases in savings over time as pay rises) than to save nothing because the 10% guideline seems unattainable. Making small positive steps to ''ramp up" to recommended guidelines is perfectly acceptable.

**9. Lack of limits causes problems -** Studies have shown that, when people are served more food, they eat more. Upgrading to larger serving sizes (a.k.a., "super-sizing") often increases food prices modestly but substantially increases calorie and fat content. A comparable financial example is consumers who are extended a higher credit line on a credit card. Some charge more than they did before because they can. Lack of understanding about the long-term cost of credit is also widespread. Creditors charge just a fraction of the outstanding balance amount due, as a minimum payment, resulting in high interest costs and repayment periods.

**10. Restrictions help avoid problems -** Some people find it helpful to lose weight by eating portion-controlled foods (e.g., convenience food entrees and nutritional diet drinks) that contain nutrition labels and calorie counts. A buffet meal on the other hand, with no portion controls or point­ of-use caloric information, can make weight loss very difficult. An example of a financial restriction is a fixed rate loan with a defined balance and regular monthly payments instead of an open-ended home equity credit line or credit card balances. Two other common financial restriction strategies are having tax-deferred retirement plan savings automatically deducted from pay and automated investment plan deposits for investments such as stock and mutual funds.

**11. Drastic solutions have major drawbacks -** There is no easy way to lose weight, accumulate wealth, or dig yourself out of debt. Rather, it generally takes discipline, perseverance, and time. Liposuction and gastric bypass surgery can reduce weight quickly, and television "makeover" shows have made it seem easy, but there are risks associated with any surgical procedure, including death. An example of a drastic financial action is filing for bankruptcy. Bankruptcy calls off a person's creditors through a protection known as the "automatic stay." The downside, however, is that bankruptcy will stay in a person's credit file for up to 10 years. This can make obtaining future sources of credit difficult and/or expensive and possibly result in lost employment and housing opportunities.

**12. Good health and wealth are related to:** People “invest” in their health through healthy lifestyle choices (e.g., exercise), just like they invest in wealth-building assets such as stock or a college education. Good health has been shown to be a major factor in the accumulation of household wealth. Healthy people are often more productive, have fewer absences, and earn higher incomes; have fewer medical bills to erode wealth; and live long enough to collect contributions to Social Security (and an employer pension, if any).

* + Higher productivity, fewer work absences- maintaining adequate health enables you to decrease the amount of time off. Decreasing absences improves your performance on the job since there are less days away from the job.
	+ Lower medical expenses to erode wealth- Medical bills place increased amounts of stress and pressure on individuals as they assess the financial effects on their households from these additional expense. This stress increases health stress as a direct connection.
	+ Live long enough to collect Social Security benefit- decreased health concerns prolongs life enabling you to reach the age for Social Security benefit

**13. Longevity concerns: healthy people need more money -** People who practice healthy behaviors, such as not smoking, exercising regularly, and eating at least five fruit and vegetable servings daily, decrease their risk of dying prematurely. They also need to accumulate adequate wealth so they don't outlive their assets. Stated another way, the "price" of better health is the need for increased wealth. Not surprisingly, financial planners, whose clients tend to practice healthy habits and have good incomes and medical insurance benefits, often run retirement savings calculations out to above-average life expectancies such as 90 or 95. Nobody wants to be the financial planner of a client who runs out of money in their 80s. Quality of later life is also very important and improved by healthy lifestyle choices.

You've learned that "issues" generally develop slowly and take time to address. Also, that a lack of limits can cause problems and restrictions help avoid them. Be sure to tune in to our next podcast on “Small Steps to Health and Wealth.”