Many Americans struggle to understand and manage their finances and often rely on financial tools that make money management difficult and incur high fees. Financial services that fit their needs and provide value can facilitate better decision-making and help them build resources to climb the ladder of economic mobility.

What is Financial Health?
Financial health means an individual’s day-to-day financial system functions well and increases the likelihood of long-term financial resilience and opportunity.

A sound financial present is connected to a better financial future. People who eat balanced diets today are more likely to avoid diseases such as heart failure, and be more physically active later in life. Similarly, people with reasonable debt today are more likely to avoid bankruptcy and have the ability to build wealth and plan for retirement.

There are three core elements to financial health: well-functioning management of day-to-day financial life; the ability to be resilient in the face of inevitable ups and downs; and the capacity to seize opportunities that will lead to financial security and mobility over time.

Financial health – like physical health – is not a one-time result that can be achieved and then ignored. Rather, it must be cultivated over time. Establishing and maintaining financial health requires not only individual persistence, but also reliable access to well-designed, high-quality financial products and services.

Why does Financial Health Matter?
For people, communities, and our country

Financial health can act as a gateway to other opportunities. It is a necessary resource to achieve mental and physical health, family stability and education. It is deeply connected to upward mobility, not just for individuals today but across future generations. Lasting financial health also has a positive macroeconomic impact on communities at local, regional, and national levels.

For financial services providers

Investments in consumer financial health yield new opportunities and benefits for providers. Consumers pursuing financial health present a variety of avenues to cross-sell services or expand into new demographics. Over time, consumers’ use of a wider variety of products that fit their financial health needs can increase loyalty and drive long-term revenue streams for companies.

Financial Health Indicators

Availability of emergency funds
In 2013, half of Americans did not have a rainy day fund able to cover three months of expenses in case of emergencies such as sickness or job loss.¹

Ability to meet basic monthly expenses
38% reported finding it difficult to meet their basic expenses on time each month.²

¹Bankrate Financial Security Index Survey, June 2013
²PwC Employee Financial Wellness Survey, June 2013
and operating entirely in cash, while another would be frustrated by the resulting lack of credit score and inability to qualify for a mortgage.

At the same time, financial health is not a purely subjective matter. The value of securing a baseline amount of savings to weather an emergency or prepare for retirement is universal.

Building on the work of many organizations that are driving improvements in financial health, we have begun to identify key indicator variables, including both subjective and objective measurements. Over time, we will learn how factors like debt levels, savings, access to planning tools, and self-assessments of financial health fit together and how financial services innovation can bolster financial health.

This year, CFSI is fielding a nationally representative consumer survey – with the partnership of American Express, the MetLife Foundation, and the Ford Foundation – to explore financial health. We will lay the groundwork for future analysis by asking about these financial health indicators.

Right now, these are concepts; in the future, CFSI anticipates they will be quantifiable measures that providers can use to benchmark product innovations and track their impact on customers.

Innovating to Increase Financial Health

CFSI’s vision is an audacious one: to increase the number of individuals with sustained financial health. Greater income and wealth can smooth the way to financial health, but these factors do not guarantee success. People with similar incomes and expenses can achieve different health outcomes, whether physical or financial, because their capabilities, habits, and tools differ. Our goal is to learn more about how financial services and customer usage impact financial health. With this information, we will invest in innovative technologies, policies, and providers that help Americans thrive.

No single financial product can enable individuals to reach this goal alone; moving the needle will require collective creativity, collaboration, and investment from across the financial services industry. CFSI invites our network of partners to contribute their support and ideas as we move from a conceptual understanding of financial health to a more concrete framework that drives a healthier future.