

BANK OF AMERICA **Better Money Habits®**

6 ways to tackle financial stress



Read, 5 minutes

For many Americans, financial concerns are ever present, especially given the uncertainties of today's economy. While worrying doesn't solve much, having a plan to manage financial challenges can help ease some of the stress. Plus, the monetary benefits of dealing with financial problems—paying off bills, saving more and reducing debt—can help improve your overall outlook. Here are some suggestions for tackling your money stress and taking control of your finances.

1 Identify top sources of financial stress

If financial anxiety is weighing on you, start by identifying the specific issues keeping you up at night. Whether the problem is credit card debt or upcoming bill payments, pinpointing the source of your stress will help you determine your next move.

- ✓ Write down your biggest money challenges.
- ✓ Keep the list short to help you feel less overwhelmed.
- ✓ Revisit your list every three to six months or as your circumstances change.



2 Create a monthly budget

A budget is a powerful tool for taking control of—and understanding—your finances. It can help you avoid spending more than you have as well as save for future goals. Once you have a full picture of where your money is going every month, you can look for opportunities to redirect some of it to the areas causing your financial stress.

- ✓ Start with your net income, the amount you take home every month after taxes.
- ✓ Write down all your expenses—from your rent or mortgage to your daily cup of coffee.
- ✓ Set up automatic payments for recurring bills and savings.
- ✓ Sign up to get alerts if your balance falls below a certain level.

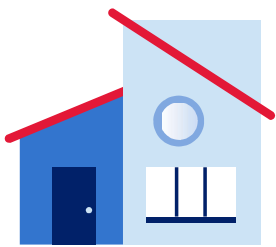


Quick tip

There are lots of apps and online tools to help you track spending or set up a budget. If you have an account with Bank of America, consider using the [Spending & Budgeting tool](#).

3 Make the most of your income

Needs



Wants

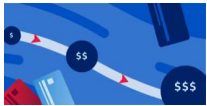


When money is tight, you may think you don't have enough to deal with your financial problems. However, it's important to make the most of the income you do have. Know that small steps add up. You may not be able to cut any one expense by \$500 a month, but you may be able to identify five that you can cut by \$100 each.

- ✓ Categorize your spending into needs and wants—and then look for ways to trim from your wants list.
- ✓ Examine your spending patterns to identify [ways to save](#) on small daily expenses.
- ✓ Consider modifying your budget to prioritize goals that will help ease your overall financial stress, such as paying off a high-interest credit card.

Article continues below

Debt and budgeting articles



4 strategies to pay off credit card debt faster

Here's how much a risky payday loan could cost

Your guide to creating a budget plan

4 Build an emergency fund

Having money set aside for an emergency—such as car repairs, job loss or illness—can go a long way towards relieving financial anxiety. However, [building an emergency fund](#) can seem overwhelming, especially one with enough to cover three to six months of expenses. Don't get hung up on the amount—what's important is that you're consistently setting money aside.

- ✓ Use your budget to determine how much you can contribute each month toward savings after accounting for the expenses on your needs list.
- ✓ Prioritize building up three to six months of living expenses before you start looking at longer-term savings goals.
- ✓ Set up automatic transfers from your checking to your savings account.



Bank of America offers a Savings Calculator to help you see how much time it could take to hit your savings goal.

5 Be strategic about reducing debt

Credit card debt is a common source of financial stress. Not only is it expensive—it can also get in the way of your savings goals. The anxiety antidote: a plan to pay off the debt. If you have balances on multiple cards, consider using the snowball method (paying off your debts one-by-one, focusing on the smallest first) or the high-rate method (concentrating on the cards with the highest interest rates first).

- ✓ Make the minimum payment on each of your cards.
- ✓ Pick a payment strategy and stick with it.
- ✓ Avoid taking on new credit card debt.

6 Consider outside help



If you're not satisfied with your progress in reducing debt, you may want to seek help from trusted resources, such as the Federal Trade Commission and the National Foundation for Credit Counseling. Or if you want guidance on long-term goals, such as saving for retirement or college, financial advisors can help. Finally, your friends and family may be able to offer support—just make sure to set clear boundaries and expectations to avoid damaging those relationships.

- ✓ Monitor your progress.
- ✓ Make adjustments as your income, spending and goals change.
- ✓ Seek help if you're struggling to keep up with minimum payments.

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