

New ideas about financial wellbeing

Understanding about financial wellbeing

The term "financial wellbeing" describes the whole condition of a person's finances, which includes more than just their amount of money. It involves striking a balance between pursuing financial objectives, ensuring future security, and maintaining current financial stability. In order to provide a steady flow of money for investing opportunities, unforeseen costs, and basic requirements, income stability is essential [1]. It gives people a sense of security and gives them the confidence to make plans for the future. As a kind of financial safety net, emergency savings and funds provide security against unanticipated events like job loss, illness, or recession. A sufficient amount of savings guarantees that people can get through hard times without going into debt or jeopardising their long-term financial objectives [2].

Another essential component of sound financial management is efficient debt management. It entails minimising interest expenses, staying away from excessive borrowing, and comprehending and paying off debts strategically. To keep financial discipline and make sure that spending is in accordance with aims and objectives, budgeting and expenditure control are crucial [1]. By making a budget, people may keep track of their spending, find places where they can cut costs, and set aside money for debt repayment, savings, and discretionary expenditure. Financial planning activities are given direction and purpose by establishing and pursuing financial goals. Setting and achieving specific financial goals helps people prioritise their financial actions and maintain motivation as they work towards financial wellbeing, whether those objectives include supporting schooling, saving for retirement, or purchasing a home [3].

These are some key components of financial wellbeing –

- Income Stability
- Savings and Emergency Fund
- Debt Management
- Budgeting and Spending Control
- Investing for the Future
- Financial Education and Awareness
- Financial Goals and Planning

Achieving financial freedom and accumulating long-term wealth require making future investments. Through a disciplined investment approach and diversification of investments across several asset classes, individuals can leverage the power of compound returns to increase their wealth over time [7]. The fundamental pillars of financial wellbeing rest upon knowledge and understanding of finances. People who have a firm understanding of personal finance principles are better able to manage complicated financial situations and make wise decisions that are consistent with their beliefs and financial objectives [2]. People with a solid understanding of finance are better equipped to evaluate risks, spot opportunities, and confidently adjust to shifting market conditions. Additionally, it helps people become

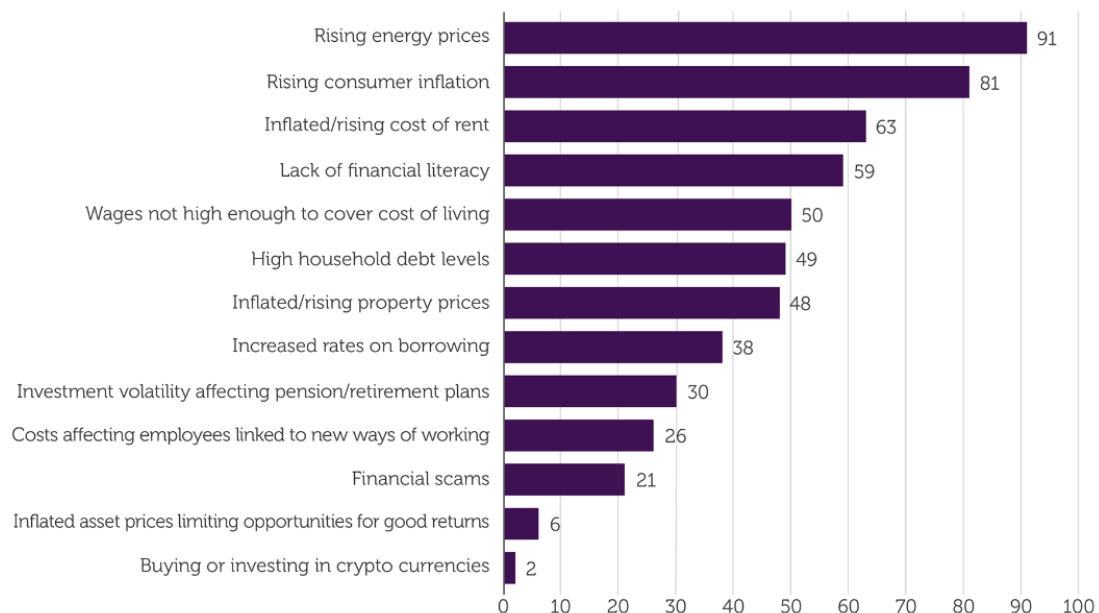
resilient and empowered with money, empowering them to take advantage of opportunities and overcome obstacles in order to achieve long-term financial security and fulfilment.

The image illustrates the financial wellbeing of Australia [4] –



An additional image depicting potential threats to the financial welfare of employees [7] –

Figure 1: Current risks to the financial wellbeing of the workforce (% of organisations)



Source: REBA/WEALTH at Work. (2022) *Financial wellbeing research 2022: Navigate financial resilience for a sustainable future*. Reward & Employee Benefits Association/WEALTH at Work.

Ideas about how to embed financial wellbeing into Dolfin

- i. **Personalised Financial Health Assessment:** Include a function that lets users evaluate their financial situation using information from their banks. This might entail

examining debt loads, savings rates, spending trends, and general financial practices to offer individualised financial wellbeing advice [6].

- DolFin could examine a user's debt-to-income ratio, savings rate, spending patterns, and other financial indicators obtained from their banking information.
 - DolFin may offer a customised financial health score and suggestions for areas for development, including cutting back on discretionary spending or raising savings contributions, based on the results of this research.
- ii. **Debt Management Support:** Within DolFin, offer users tools and advice to assist in efficiently managing and reducing their debt. This could entail tactics including negotiating with creditors, consolidating debt, and giving high-interest debt payback priority [7].
 - With DolFin, users may set specific financial objectives, like setting aside \$5,000 for a trip or paying off a \$2,000 credit card debt.
 - DolFin would monitor its users' progress towards these objectives and send them updates and reminders to keep them on course. For instance, DolFin may alert a user when they have paid more than usual towards their debt or when they are halfway to their savings target.
- iii. **Goal-Setting and Monitoring:** Include tools that let users create and monitor money objectives, including vacation savings, debt repayment, or emergency fund accumulation. Then, DolFin can assist users in monitoring their advancement towards these objectives, offering inspiration and direction as needed [5,6].
 - DolFin might include tools that let users categorise spending, establish spending caps for individual categories, and monitor real spending versus planned spending.
 - When a user's spending in a given category is about to go over budget, they may receive warnings or notifications that encourage them to change their spending habits.
- iv. **Financial Wellbeing Score:** Include an index or score for financial wellbeing in DolFin that measures users' overall financial health based on a range of variables, including income, savings, debt levels, and spending patterns [7]. This score could be used as a reference point to monitor changes over time and encourage people to get better financial health.
 - DolFin might offer a vast library of instructional materials on a range of financial subjects, such as articles, tutorials, and videos.
 - DolFin may, for instance, provide tutorials on fundamental budgeting ideas, investing tactics, or pointers for raising credit scores.
- v. **Community and Assistance:** Encourage the development of a DolFin community where users may interact with one another, exchange stories, and offer assistance to one another as they navigate the financial system [6]. This could include message boards, forums, and networking events where users can share thoughts, pointers, and counsel.
 - DolFin may examine a user's financial data to find areas where savings could be increased by using AI and ML techniques.

- DolFin may recommend regular deposits into an investment portfolio, automated transfers to a high-yield savings account, or methods for cutting costs to free up more money for saves.
- vi. **Resources for Financial Education:** Provide users with educational materials on the DolFin platform to assist them become more financially literate and make better financial decisions [6]. This could contain educational materials on investing, retirement planning, and debt management as well as tutorials, interactive tools, and films.
- DolFin might provide materials and tools to assist customers in controlling and lowering their debt load.
 - DolFin may offer a debt payout calculator to assist customers in creating a repayment schedule as well as advice on how to bargain for better terms by consolidating debt or lowering interest rates.
- vii. **Savings Suggestions:** Utilise AI and ML tools to evaluate users' financial information and offer tailored suggestions for maximising their ability to save [5]. This can entail making recommendations on how to cut back on wasteful spending, boost savings rates, or make use of high-yield savings accounts or investment opportunities [6].
- DolFin might use important financial variables and behaviours to determine a user's financial health score.
 - Users would be able to monitor their progress over time and compare their score to averages or benchmarks for their peer group or demography if it were clearly presented inside the DolFin interface.
- viii. **Tools for Budgeting:** Provide features in DolFin that let users efficiently construct and oversee budgets. This could entail classifying spending, establishing spending caps, and getting notifications when allocated funds are being approached or exceeded [5,6].
- A community forum or discussion board where people may engage, pose questions, and exchange guidance and firsthand accounts could be facilitated by DolFin.
 - Individuals may receive encouragement from other members of the community who are going through comparable financial difficulties or find motivation from success stories.

Technical details

Technical details if embed debt management into dolfin –

Database:

Debt Accounts: To keep track of user debt account information, including account type, amount, interest rate, and minimum payment.

Qualities:

Account Id (INT PRIMARY KEY): An individual's unique account number.

User Id (INT FOREIGN KEY): Assigns a unique user identity to the debt account.

Account Type (VARCHAR): The kind of debt account.

Balance (DECIMAL): The amount owed on the debt account as of right now.

Interest Rate (DECIMAL): The interest rate that is applied annually to amount that's still due.
Minimum Payment (DECIMAL): The minimum amount that must be paid towards the debt.

User Goals: Create a table where users can record their objectives for managing their debt, along with deadlines, target amounts, and information on their progress.

Qualities:

Every debt management goal's unique identifier is Goal Id (INT PRIMARY KEY).

The objective is linked to the individual user who generated it through the usage of User Id (INT FOREIGN KEY).

Goal Name (VARCHAR): The goal's descriptive name for managing debt.

Target Amount (DECIMAL): The user's overall debt repayment goal.

Target Date (DATE): The deadline the user wants to meet in order to fulfil the debt management objective.

Description (TEXT): An optional field for further information about the objective.

Backend:

Data Integration: Create secure access points (APIs) to users' debt account information from different financial institutions.

Data processing: Create pipelines for data processing in order to clean, parse, and organise debt account data that is obtained from outside sources.

Debt Analysis: Patterns, trends, and possible areas for debt optimisation can be found by using machine learning algorithms to analyse consumers' debt data.

Notifications: Put in place tools that will alert customers to impending loan payments, interest rate changes, and chances for debt optimisation.

Front-end:

Create a user-friendly user interface (UI) so that users can examine, manage, and set goals for their debt management. Visualisations like goal monitoring dashboards, debt account summaries, and debt payoff progress charts may be examples of this.

Create interactive tools to assist users explore various debt management solutions and monitor their progress towards debt reduction targets. Examples of these tools could be budgeting dashboards, debt payoff calculators, and debt consolidation simulators.

Machine Learning:

Machine learning models for debt analysis should be created in order to evaluate users' debt data and offer insights into their debt profiles, including spending trends, debt-to-income ratios, and possible warning signs of impending financial trouble. Sort debt accounts into groups and forecast future debt amounts using supervised learning algorithms like regression and classification. These algorithms are based on previous data.

Predictive Modelling for Debt Repayment: Model users' debt repayment patterns over time and identify possible risks or opportunities for debt reduction by using time-series forecasting techniques like LSTM (Long Short-Term Memory) recurrent neural networks or ARIMA (AutoRegressive Integrated Moving Average).

Personalised Debt Management Recommendations: Create recommendation engines that may offer solutions and advice for managing debt that are specific to the needs, preferences, and financial circumstances of each user. To promote debt consolidation solutions, budgeting techniques, and debt repayment programmes based on similarities with other users' profiles or past user interactions or content-based recommendation algorithms.

Fraud Prevention with Anomaly Detection: Use anomaly detection algorithms to spot odd trends or questionable activity in users' credit accounts, such as unapproved purchases, odd spending habits, or indications of identity theft. To find anomalies in customers' debt data and set off signals for additional research or assistance, using unsupervised learning techniques like clustering or isolation forests.

NLP (Natural Language Processing): Incorporate natural language processing (NLP) functionalities into chatbot user interfaces to facilitate conversational interactions and provide tailored debt management counsel and recommendations. When users discuss debt-related subjects, employ natural language processing (NLP) models like named entity recognition or sentiment analysis to comprehend their intentions, feelings, and preferences and to offer suggestions or appropriate responses.

Links –

1. <https://www.canada.ca/en/financial-consumer-agency.html>
2. <https://www.beyondblue.org.au/mental-health/financial-wellbeing#:~:text=What%20is%20financial%20wellbeing%3F,of%20living%20or%20unexpected%20expenses>.
3. <https://www.dss.gov.au/communities-and-vulnerable-people/programs-services/financial-wellbeing-and-capability>
4. <https://fbe.unimelb.edu.au/newsroom/cba-melbourne-institute-financial-wellbeing-scales>
5. <https://familyfs.com.au/five-ways-to-increase-your-financial-wellbeing/>
6. <https://stride.com.au/dimensions-of-wellness/financial-wellness/>
7. <https://www.cipd.org/en/knowledge/guides/employee-financial-well-being/>