



Tips for Reducing Debt and Anxiety



Financial difficulties are one of the most common sources of stress. Whether it's mounting debt, unexpected expenses, or job loss, money-related worries can have a significant impact on mental and physical well-being. However, just like with other forms of stress, there are ways to regain control, reduce anxiety, and develop a healthier financial outlook.

How Financial Stress Affects Your Well-being

When finances are uncertain, stress can manifest in many ways, including:

- Sleep problems from worrying about bills and expenses
- Increased anxiety or depression due to feelings of financial insecurity
- Tension in relationships with family, partners, or co-workers
- Physical symptoms such as headaches, digestive issues, or muscle tension
- Loss of focus or productivity due to financial worries

The good news is that taking proactive steps to manage your finances can also help reduce stress and improve overall well-being.

How Financial Stress Affects Your Well-being

Develop a Budget to Gain Clarity

Uncertainty about money often leads to stress, but creating a realistic budget can provide a sense of control. Write down:

- Your total income (from all sources)
- Fixed expenses (rent/mortgage, utilities, car payments, insurance, etc.)
- Variable expenses (groceries, entertainment, dining out, etc.)

Tracking your spending helps identify areas where you can cut back, ensuring that essentials like housing, food, and healthcare are covered first. Reducing unnecessary expenses can also free up money to pay down debt and create savings, which can significantly lower financial anxiety.

Communicate With Creditors Before Stress Escalates

If you're struggling to make payments, don't wait for bills to pile up. Contact your creditors early to discuss options like:

- Adjusted payment plans
- Reduced interest rates
- Temporary payment suspensions

Many creditors are willing to work with you if they know you're actively seeking solutions. This can help prevent late fees, penalties, and collections—reducing financial and emotional strain.

Understand and Manage Debt Effectively

Debt is a significant contributor to stress, but knowing how to manage different types can make it more manageable:

- Secured debts (e.g., mortgages, car loans) require timely payments to avoid foreclosure or repossession. If you anticipate difficulty, consider refinancing or renegotiating terms with lenders.
- Unsecured debts (e.g., credit cards, medical bills) can often be reduced through negotiation, credit counseling, or debt consolidation.

For car loans, if repossession is a risk, selling the vehicle yourself and paying off the loan can help avoid additional fees and a negative credit impact.

Seek Support Through Credit Counseling

If managing finances alone feels overwhelming, a certified credit counselor can help:

- Develop a customized budget
- Create a debt repayment plan
- Negotiate with creditors on your behalf

Look for nonprofit credit counseling organizations that offer free or low-cost services, such as those affiliated with universities, military bases, or local consumer protection agencies.

Reduce Stress Through Debt Management Plans (DMPs)

For those struggling with multiple debts, a debt management plan (DMP) may be an option. This involves making one consolidated payment each month to a credit counseling agency, which then distributes payments to creditors.

While DMPs can lower interest rates and simplify payments, it's important to:

- Confirm that creditors agree to reduced rates
- Understand the repayment timeline (often 3–5 years)
- Avoid taking on additional debt while in the program

Protect Yourself From Financial Scams and Predatory Lenders

Financial stress can make people vulnerable to scams. Be cautious of:

- Debt relief services that require large upfront fees
- Organizations that pressure you into debt management plans without reviewing your finances
- Companies that encourage “voluntary contributions” that add to your financial burden

If considering debt consolidation, weigh the risks—especially when using a home equity loan, as defaulting could put your home at risk.

Consider Bankruptcy as a Last Resort

Bankruptcy may provide relief from overwhelming debt, but it should only be considered after exploring all other options. While it can offer a fresh start, it also has long-term consequences, such as:

- A 10-year impact on your credit report
- Difficulty obtaining credit or loans in the future
- Challenges securing housing or employment in some cases

If bankruptcy seems like your only option, consult with a financial or legal expert to understand the implications.

Additional Tips to Manage Financial Stress

- **Stay proactive.:** Ignoring financial issues can make them worse. Take small, manageable steps to address your concerns.
- **Build an emergency fund:** Even setting aside a small amount each month can provide a cushion for unexpected expenses.
- **Practice self-care:** Engage in activities that help you relax—exercise, meditation, journaling, or spending time with loved ones.
- **Talk about it:** Discussing financial concerns with a trusted friend, partner, or counselor can help relieve stress and provide emotional support.

Conclusion

Money troubles can be stressful, but taking control of your finances can significantly improve both your mental well-being and financial stability. By developing a budget, managing debt wisely, and seeking support when needed, you can reduce stress and regain financial peace of mind.

If financial stress is affecting your daily life, a mental health professional or financial counselor can help. Your Bree Health benefits provide free financial consultation and coaching support resources! You can contact Bree Health at (800) 327-2255.