



# FINANCIAL HEALTH: THE ROOT OF ECONOMIC SECURITY

## Defining and Measuring a New Social Determinant of Health

### OVERVIEW

Public health research and interventions often focus on important but siloed areas such as food, energy, and housing rather than on a comprehensive approach to economic insecurity. This singular focus limits opportunities to break down the structural racism found in financial, health, and social service systems that has created significant disparities in wealth along racial lines. This study presents financial health as a key factor impacting physical and mental health. Using survey data from the Building Wealth and Health Network, it introduces financial health as a measurable concept underlying these other elements of economic hardship that can contribute to greater health equity. The study demonstrates that financial health has a significant impact on overall well-being and belongs in the discussion of social determinants of health.

### THE ISSUE

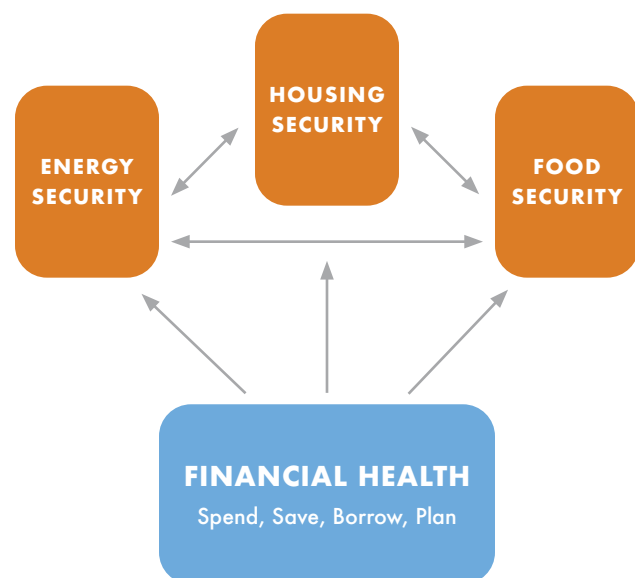
Economic hardship has traditionally been measured in terms of income relative to the Federal Poverty Line or participation in public assistance programs that support housing, food, and healthcare. This understanding of economic hardship results in interventions that tend to be siloed and address a singular issue without focusing on underlying causes.

“Financial health” is a comprehensive assessment of resources that includes the ability to meet basic needs and encompasses opportunities to save and build wealth. Not only is financial health directly related to various forms of economic insecurity, such as housing, food, and energy insecurity, it has actually been identified as root cause of these economic hardships.

Efforts to improve food security, housing security, and other economic hardships by increasing wealth have been limited by the lack of consistent, validated measures and definitions of individual financial health.

Additionally, past studies about financial health are largely located in the field of consumer finance where target interventions are not created for or implemented with lower-income or under/un-banked populations.

#### Financial Health as Root Cause of Economic Insecurity



*This model depicts how financial health and other forms of economic insecurity, such as food, housing, and energy insecurity, are related and interdependent. Financial health has been determined to be a root cause of these other types of insecurity.*

### KEY TERMS AND DEFINITIONS

**Financial Health:** One’s ability to manage expenses, prepare for and recover from financial shocks, have minimal debt, and build wealth.

**Food Insecurity:** Lack of consistent access to sufficient food to enjoy an active, healthy life.

**Housing Insecurity:** When families move frequently (two or more times in past 12 months), are crowded (more than two people per bedroom or doubled up temporarily with another family), or were behind on rent at any point in past 12 months.

**Energy Insecurity:** Lack of consistent access to enough of the kinds of energy (e.g. electricity, natural gas, and heating oil) necessary for a healthy and safe life.

## BUILDING WEALTH AND HEALTH NETWORK

The Building Wealth and Health Network (The Network) began as randomized controlled trial in 2014 and continued as single arm intervention study. The Network is a trauma-informed, financial empowerment program utilizing peer support that has worked primarily with Black women who are caregivers of young children. It aims to address mental health and economic hardship through building social capital and financial capability.

Network participants, known as members, attend 16 financial and emotional empowerment group sessions. Sessions on financial topics include building and fixing credit, reducing debt, and developing entrepreneurship. The program helps members open a savings account with a partner credit union and matches their savings up to \$20 per month for one year.

## METHODS

Members responded to surveys about economic security, employment, finances, entrepreneurship, depression, and caregiver/child health at baseline and every three months for a year.

Survey questions about financial health were based on the four main components of financial health as defined by the Center for Financial Services Innovation (CFSI)<sup>1</sup>:

- Spend
- Save
- Borrow
- Plan

The self-rated physical health questions were adapted from the National Health and Nutrition Examination Survey<sup>2</sup> (rated as “excellent,” “good,” “fair,” or “poor”). The self-reported depressive symptoms were assessed using the Center for Epidemiological Studies-Depression Revised 10 (CSDR-10)<sup>3</sup>, measured on a 0 to 30 scale.

Component	Financial Health Indicators	Network Survey Measured Variables
<b>Spend</b>	<ul style="list-style-type: none"><li>• Spend less than amount earned</li><li>• Pay bills on time and in full</li></ul>	<ul style="list-style-type: none"><li>• Family's living expenses relative to income</li><li>• Late fees paid</li><li>• Recent unwanted utility shut-off</li><li>• Heating or cooling deactivation</li></ul>
<b>Save</b>	<ul style="list-style-type: none"><li>• Have sufficient liquid savings for living expenses</li><li>• Have sufficient long-term savings or assets</li></ul>	<ul style="list-style-type: none"><li>• Status of savings account</li><li>• Status of checking account</li></ul>
<b>Borrow</b>	<ul style="list-style-type: none"><li>• Have sustainable debt load</li><li>• Have a prime credit score</li></ul>	<ul style="list-style-type: none"><li>• Current debt</li><li>• Ability to repay money owed and debts on time</li></ul>
<b>Plan</b>	<ul style="list-style-type: none"><li>• Have appropriate insurance</li><li>• Plan ahead for expenses</li></ul>	<ul style="list-style-type: none"><li>• Use of financial goals, personal budgets, and spending plans</li><li>• Utilization of automatic deposit and electronic transfer</li></ul>

## FINDINGS

Results demonstrate that components measured by the Network align closely with the established domains of financial health in the literature: spend, save, borrow, and plan.

Financial health was shown to be distinct from other measures of economic security and have a greater impact on a family's health than other individual measures of poverty such as housing/food insecurity or income level.

Additionally, the borrow and plan components were significantly associated with self-rated health and depressive symptoms - independent of food, housing, and energy security. A higher score related to having debt was associated with greater odds of depression and fair/poor health; while a higher score in financial planning was associated with lower odds of both depression and fair/poor health. This evidence suggests that financial health may be a stand-alone social determinant of health.

## CONCLUSIONS

This study sought to introduce financial health into public health research. It explored the relationship between financial health and physical/mental well-being. The results indicate that financial health can be conceptualized as an underlying cause of economic hardship and a social determinant of physical and mental health.

## REFERENCES

1. Parker S, Castillo N, et al. Eight Ways to Measure Financial Health. Chicago: Center for Financial Services Innovation. 2016
2. Centers for Disease Control and Prevention. National health and nutrition examination survey. NCFHS (NCHS), editor: Hyattsville, MD: US Department of Health and Human Services, Centers for Disease Control and Prevention. 2005.
3. Andresen EM, Malmgren JA, et al. Screening for depression in well older adults: Evaluation of a short form of the CES-D. American journal of preventive medicine. 1994;10(2):77-84. PMID:8037935

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The Center for Hunger-Free Communities is a community-engaged research, service, advocacy, and policy center of Drexel University's Dornsife School of Public Health. The Center offers multi-faceted research and action with the goal of developing innovative, empirically-tested solutions to the challenges of hunger and economic insecurity. In partnership with families, researchers, policymakers, and community leaders the Center seeks to find solutions to hunger and poverty based on both science and the human experience.

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## IMPLICATIONS

The American Psychological Association considers personal finances to be one of the top stressors in America, with impacts similar to adverse childhood experiences. Financial stress and economic hardship are linked to increased physical pain, lowered pain tolerance, and risk of coronary heart disease. The results of this study suggest that the public health community do the following to promote financial health and thus overall well-being:



### **Develop clarity in the meaning of financial health**

A consistent definition of financial health and set of measurements for evaluating it are necessary for researchers and practitioners to provide holistic solutions to economic hardship that challenge discriminatory systems. Developing a standardized measurement will allow for improved awareness, research, and interventions.



### **Integrate financial health into overall understanding of health determinants**

New frameworks should be developed for solutions that do not rely on isolated approaches to food, housing, energy, or other economic insecurities but instead seek to improve the four domains of financial health.



### **Create opportunities for families who are financially and socially marginalized to build their wealth**

Programs focused on building wealth in historically marginalized populations set the foundation for future researchers to investigate and agree upon consistent measures of financial health necessary to address economic hardship in a more comprehensive way.

**For more information about this study, please see the following article:**

Weida EB, Phojanakong P, Patel F, Chilton M (2020). Financial health as a measurable social determinant of health. PLOS ONE. 15(5): e0233359. <https://doi.org/10.1371/journal.pone.0233359>

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