**Financial Health Advice From a Leading Expert**
*A conversation with Haleh Moddasser of Stearns Financial Services Group*

**In a nutshell, what are people doing right and what are people doing wrong when it comes to their financial health?**

Interestingly, the answer is the same to both questions – and that is "worrying". People worry about money. They worry about paying for college, upsizing, downsizing, retiring, and a myriad of other unknown financial events such as a job loss or a leaky roof. This type of worry is a good thing when it causes people to take positive actions such as carefully planning their expenditures, saving for retirement and investing wisely. It is bad, however, when it causes otherwise healthy people to lose sleep at night. There is a fine line between enjoying today and saving for tomorrow – most people have a hard time finding that line.

**Depression has long been referred to as the 'common cold' of mental health, i.e., a lot of people will experience this at some point in their lives. What is the equivalent analogy in financial health? What has historically been thought of by financial experts as the 'common cold' of financial health?**

The most prevalent "illness" we see are people becoming overly influenced by the daily barrage of negative media, something we often refer to as "newsfluenza". Unfortunately, our 24/7 media continually feeds us "newsworthy" bites of information that impact the markets in the short term, but have little relevance in the long term. This type of media hype can often lead to emotional decision making that can destroy a long history of prudent saving and investing. Often, investors will sell investments at the bottom of the market, or buy at the top, simply because they become either fearful or greedy. This type of irrational decision making, often referred to in the industry as "behavioral finance", accounts for at least 60% of the losses most people incur in their investment portfolios.

**What steps can people take to prevent that; and which steps can they do themselves versus which are best done with help from a professional?**

The key is to adopt an investment approach that includes a diversified, well balanced portfolio of high quality securities, and to stick to it. This can be accomplished in many company retirement plans or by independently using a good mix of mutual funds. For busy professionals, or those who would rather not spend their time continually monitoring their investments, it is often best to use a professional. As an objective third party, a professional can more easily avoid "behavioral finance" mistakes. Additionally, because professional investment advisors are focused on the fundamental values of the companies issuing stocks and bonds, they are better equipped to make wise buying and selling decisions.

**It's funny because as I ask this question, I realize I'm not so sure depression is winning that unpopular race anymore. In my clinical experience I'd have to say that anxiety is perhaps pulling ahead. In our modern society with the plethora of stresses, many of which are financial by the way, I think experiencing anxiety may now be the 'common cold' of American mental health. Have you found anxiety impacting people's financial decisions - budgeting, saving, spending, etc. - more so over the past 10 years than previously?**

We see many people who begin to question their ability to achieve their financial goals, especially given the barrage of negative news in the media. Everything from the crisis in the Middle East, to the looming "fiscal cliff" to the inability of congress to work together in a bipartisan way can create feelings of extreme anxiety. Often, people feel insecure about their careers as a result of the changing world around them. In our experience, the very best anecdote to this type of anxiety is a good financial plan, with multiple scenarios that include both "upside" and "downside" scenarios . If we can get people comfortable with their financial future, even in a "downside" scenario by saving enough, investing wisely, living within their means and taking the steps necessary to protect their earnings power, then they often feel a great sense of relief.

**Do people with wealth to invest do so, or do people avoid this task?**

Often, people are not as conscious about investing as they could be. Sometimes we see people with large amounts of cash sitting in checking or savings accounts, earning little to no interest. Often these folks are simply extremely busy with their careers and have little time to manage their assets. It's important to know that putting your money to work for you, as early as possible, can have a tremendous positive impact on your overall wealth. For example, a person aged 35 who saves 10% of their $50,000 salary per year into a 401k, will have over $900,000 at age 65. A full two thirds of this amount, $600,000, is due to compound earnings, while only $300,000 equals contributions (includes 3% company match). Pre-tax vehicles such as 401k and IRA accounts further leverage compound earnings, because assets are earning on higher pre-tax savings.

**It's December and people are thinking ahead to how to make 2013 better. What are some important behavior changes a person could begin or one thing they could do to begin improving their financial health?**

As important as a good investment strategy is, there is no substitute for savings. A solid financial plan will help you determine if your savings will ultimately meet your needs in retirement and will answer questions such as "when can I retire?", "can I afford a bigger home?" or "can I start my own business?" A plan such as this is, perhaps, the best investment you can make, because it informs every other major life decision.