

# 4 elements define personal financial well-being

By [Janneke Ratcliffe](#) – JAN 27, 2015

You probably have a few goals in mind when it comes to thinking about your financial life. You might think about taking more control over bills, or getting to a specific point like paying off a credit card, or making an important purchase. We want to help people improve their financial lives, so we want to help them set goals that can make a real difference, and work toward them. That's why we talked to consumers across the country, to hear what they had to say about financial well-being and what it means to them. You can see what we learned in our report on financial well-being.

Savings and income are part of financial well-being, but we learned that they're not always the most important part. Instead, when people talked about their own financial well-being, four main elements came to light.

## Feeling in control

People who have high levels of financial well-being feel in control of their day-to-day and month-to-month finances. They cover their expenses and pay their bills on time, and generally they do not worry about having enough money to get by. This is not just about having money, they told us, it's about managing it. Think of this as having financial security, in the present.

## Capacity to absorb a financial shock

Whether they get in a car accident or are temporarily laid off from a job, these consumers have a safety net such as savings, insurance, or family to help stop a shock from turning into a longer-lasting setback. One way to describe this is feeling financial security, for the future.

## On track to meet goals

Consumers with a higher sense of financial well-being tell us they are on track to meet their financial goals. Whether or not they have a formal financial plan, they are setting goals that are important to them, and working toward those goals. Think of this as moving toward financial freedom, for the future.

## Flexibility to make choices

These consumers have the financial freedom to make the choices that allow them to enjoy life, whatever that means to them. Whether that is taking a family vacation, going out to eat, or working less to spend more time with family, these consumers have the financial flexibility to do what they value and what makes them happy. This can be described as having financial freedom, in the present.

Applying this framework to your own financial life might help you feel more satisfied with the decisions you make too. When you face a financial choice or task, consider how your actions might affect financial security and financial freedom, today and in the future. To learn more about how consumers described financial well-being in their own words, check out the [full report](#).

*Updated on Jan. 17, 2018, to add a link to the financial well-being questionnaire.*

# Why financial well-being?



At the CFPB, we work to help consumers like you take control of your financial life to reach your own life goals, achieve financial peace of mind, and avoid pitfalls that can derail you.

The ultimate goal of our work is to help you improve your financial well-being. Financial well-being means how much your financial situation and money choices provide you with security and freedom of choice.

We developed a questionnaire and a scoring method as a tool that can help you take stock of your financial well-being.

Maybe you're planning to take action to improve your financial life—on your own or with help from others, maybe through a friend, coach, book, or financial services professional. One of the key questions you might ask yourself afterward is, “Am I better off than before?”

To answer that question, you can use our financial well-being questionnaire and your resulting score. Together, they let you accurately and consistently measure your financial well-being before and after taking steps to improve your financial situation.

## Why doesn't this questionnaire ask about financial details?

Because each person's situation is unique and subjective, it is hard to describe financial well-being using only numbers like income, net worth, or credit score.

Instead we asked people around the country what financial well-being meant to them, and we listened.

We learned that financial well-being means having financial security and financial freedom of choice, in the present and in the future. More specifically, having financial well-being is when you:

- Have control over day-to-day, month-to-month finances
  - Have the capacity to absorb a financial shock
  - Are on track to meet your financial goals
  - Have the financial freedom to make the choices that allow you to enjoy life
- That's why people with the same income, financial experiences, or education can have very different levels of financial well-being.

## How does financial well-being look across America?

The tool allows you to compare your financial well-being score to other adults in the United States. The comparison of your score to others' scores is made possible by our national survey. In late 2016, we collected responses to our financial well-being scale in a nationwide survey of U.S. adults for the first time. **You can take the questionnaire by going to the CFPB web sites.** Take our [financial well-being questionnaire to see your score](#) and how you compare to others like you.