Financial health – or wellbeing – is a concept that addresses the financial side of individuals’ and families’ ability to thrive in society.

- “Financial health is when I have what I need every day.”
- “When you have no debt, that’s when you’re healthy.”
- “Financial health is when you can pay your bills and have money left over.”

Large shares of the world’s population struggle financially, and financial health deficits negatively affect productivity and even physical health. When a survey asked people in 150 countries whether they could come up with a moderate lump sum in an emergency (1/20th of GNI), an average of 46% globally said they could not. The Covid-19 pandemic underscored this precariousness. To build a more resilient and inclusive world, governments and financial sector actors have a strong interest in supporting families and small businesses to be financially healthy. Understanding the complex web of factors that influence financial health can help policymakers identify programs and policies to foster improvements.

Financial health or wellbeing is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future.

The elements that shape a person’s financial health:

- Day to day
  Smooth short-term finances to meet financial obligations and consumption needs
- Resilience
  Capacity to absorb and recover from financial shocks
- Goals
  On track to reach future goals
- Confidence
  Feeling secure and in control of finances

Financial health is a shared responsibility among governments, service providers and individuals. This report provides recommendations from the UNSGSA Financial Health Working Group (FHWG) for policymakers wishing to get started with financial health. Key points include:

Make financial health a core purpose of financial sector policy, so that the wellbeing of consumers is always considered. In national financial inclusion strategies, an explicit recognition of financial health as a goal serves as a reminder that the purpose of inclusion is to improve lives. Policymakers can set a financial inclusion agenda focused on positive outcomes for individuals, households and small businesses. Further, recognition of the relationship between financial health and broader policies, such as employment, social protection and health care, suggests a need to collaborate across government.

1. From interviews conducted in Kenya and India by Dalberg during research for Financial Health Network’s project, Beyond Financial Inclusion: Financial Health as a Global Framework, 2017
2. World Bank’s Global Findex 2017
3. Gross National Income
Sample Pro-Financial Health Policies

**Design** social protection programs with resilience in mind. Example: Allow beneficiaries to save unspent surpluses.

**Ensure** that default options for government programs encourage financial health. Example: automatic enrollment in pension savings.

**Promote** emergency savings among all households. Examples: public campaigns for families to build savings buffers; tax incentives for such savings where fiscal resources allow.

**Protect** consumers from credit products that encourage overindebtedness. Example: Limit loan products that feature repetitive short-term borrowing at high interest.

**Measure financial health.** Measurement is the entryway to a focus on financial health. The FHWG recommends that policymakers develop a short financial health module, use it frequently to track changes in the market and make it widely available for many organizations to use. Financial health measurement can yield early warnings on issues such as the inadequacy of social protection or the build-up of household debt, and it can confirm the results of policy decisions. The FHWG also recommends a process to develop a globally tested financial health module for cross-country benchmarking.

**Foster a financial health ecosystem with engagement by the private sector and others.** Improving financial health at scale requires actions by many organizations. Companies have found wide-ranging benefits when focused on financial health, from customer loyalty and profitability to improved employee productivity. Policymakers can encourage the development of a financial health ecosystem by supporting ways to share knowledge and experience among providers.

**Pursue a financial health research agenda.** Financial health is a young area of study, and research is needed to illuminate the policies and services that can best contribute to improving it. A major challenge is to examine financial health in low-income environments where financial health may be more about stabilizing one’s financial situation than becoming fully financially secure.

**Tap into the growing global financial health community** through initiatives such as:

- UNCDF’s new Centre for Financial Health in Singapore
- CAF’s support for measurement of financial health and its incorporation into national financial inclusion and financial education strategies in Latin America
- UNEP’s guidance for financial institutions on financial inclusion and health
- FHN’s work with dozens of private companies to build financial health into their operations

Financial health matters to individuals, families and small businesses everywhere. Through key policies and programs, policymakers can make important contributions to financial wellbeing.

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4. For more on measurement, see the FHWG technical note: Measuring Financial Health: Concepts and Considerations.