Overcoming Financial Fears and Phobias

In our experience, the topics of money, finances and investing can cause feelings of fear, anxiety and uncertainty in many people. Although money anxiety may be found most often among people who struggle to make ends meet, it's surprisingly common among wealthy individuals and families—who may objectively have plenty of financial security, but who don't necessarily feel that way.

Financial fears can lead to significant challenges and problems. And they can be tough to address because they're often rooted in negative experiences during formative childhood years.

The good news: Fears about money matters can be overcome, with some understanding of what's causing the issue and some action steps.

The potential impact of financial fear, anxiety and trauma

Anxiety and fear about money-related matters—earning, saving, spending, investing and so on—might crop up in anyone from time to time (after a job loss or during a market downturn, for example). But there's also chronic financial fear that exists frequently or even constantly. Consider some of the problems that intense financial fears can potentially cause:

1. **Avoidance.** When we fear something, we often try to stay away from it. Financial fear can cause people to avoid dealing with important financial matters—from paying bills to saving for their futures to investing to grow their money. In extreme cases, money avoidance can cause people to refuse to spend on key necessities they require in order to live a healthy, functional life.

2. **Overspending.** Alternatively, fear can cause us to lash out against what frightens us. In the case of money, some people might spend recklessly without keeping a budget or knowing whether they have the financial means to make a seemingly endless series of expensive purchases. Spending that becomes excessively lavish can damage the financial future of even extremely wealthy individuals.

3. **Poor retirement preparation.** Money fears can prevent people from saving and investing for their futures. But even if they do take those steps, they may invest too conservatively based on what they want or need for their retirement years. Conversely, their fears about money could drive them to act too aggressively—for example, continually buying and selling investments at inopportune moments and missing out on potential future returns that could help strengthen their financial health.

4. **Poor workplace performance.** People suffering from financial anxiety have lower work performance, tend to get distracted more easily and are emotionally exhausted from constantly worrying, according to a 2022 study published in the Journal of Vocational Behavior.

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ACTION STEPS TO CONSIDER

Here are some ways to potentially overcome the money fears and phobias that hold people back:

1. Get clear on the cause. If you have money fear that isn't rooted in anything immediately tangible, you may need to look for the underlying cause. For example:

- It's not uncommon for financially secure people who came from financially insecure backgrounds to have a nagging worry about their financial health. Did you struggle to make ends meet growing up? Did your family lose a great deal of money in the past?
- Conversely, perhaps your parents were preoccupied with having the best of everything in order to fit in socially, which now makes you feel pressured to spend lavishly—and doing so has you worried about getting in over your head.

Regardless, if money anxiety is an issue for you, understanding why is a good first step in addressing the issue.

2. Learn more about financial topics. Having a better understanding of financial issues that cause you discomfort can be a great way to reduce the fear you feel about them. That doesn't mean you need to go for a Ph.D. in finance, of course. Rather, depending on what makes you anxious, become more informed about how financial markets work, the percentage of time stock prices rise versus fall or the likelihood that your current wealth will see you through your retirement. Financial literacy classes aimed at adults are becoming increasingly common. And trusted financial advisors can be an excellent resource here, as they can provide you with general financial knowledge and answer your questions. They can also give you important context if, say, rapidly falling stock prices have you in a panic.

3. Align money decisions with your goals. It may be possible to become more comfortable dealing with money and making financial decisions if you have clear goals that you want your money to help you accomplish. Creating a detailed vision for your retirement, for example, may help you say yes or no to lots of spending, saving and investing questions that arise. If saying yes would help you move closer to that retirement vision, then say yes—and if not, say no and move on.

4. Have regular financial check-ins. Ever notice that anxieties have a habit of feeling a lot bigger when we keep them to ourselves? If money fears have you worried or acting in ways that make you feel uncomfortable, bring them up when you meet with your advisor to review your financial situation. They can provide you with facts that can help you see whether your concerns are valid or you're fretting over nothing.

We hope that you and the people you care about don't approach issues related to money with a deep sense of fear, anxiety or dread. But if you find that dealing with finances spikes your blood pressure or causes you to act irresponsibly, know that there are people you can reach out to for help who can give you strategies aimed at empowering you to cope and overcome the hurdles in front of you—and, in doing so, develop a healthier relationship with wealth.

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