

Financial Stress and Its Physical Effects On Individuals and Communities

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Everywhere you look, the symptoms of the current recession are clear: homes lost to foreclosure, job losses across almost every sector of the economy, dwindling retirement portfolios, and frozen credit markets. But the recession has also led to a number of other symptoms that haven't been getting enough attention: headaches, backaches, ulcers, increased blood pressure, depression and anxiety, just to name a few. Extended periods of stress can take their toll on physical, mental, and emotional health, compounding the difficulties that many low- and moderate-income communities face during troubled economic times. As we think about ways to strengthen health and community development finance at the institutional level, we need to remember the impact that financial instability can have on health outcomes at the individual level.

The Financial Health of Americans

The poet E. E. Cummings summed up the financial condition of many Americans when he said: "I'm living so far beyond my income that we may almost be said to be living apart." The Federal Reserve estimates total household debt, including mortgage debt, at about \$13.7 trillion, or 125 percent of annual after-tax income.¹ Many Americans now face perilous balance sheets as household assets began their plunge in 2008. Household net worth fell by \$11 trillion in 2008, a decline of 18 percent from the previous year, according to data from the Federal Reserve. Unemployment continues to hover near 10 percent and millions of Americans are expected to exhaust their unemployment-insurance benefits soon. Despite the fact that the Commerce Department announced GDP growth of 2.2 percent in the third quarter of 2009, marking the possible end of the recession, the financial pain lingers and Americans' debt levels continue to mount as income streams and savings dry up.

Linking Financial and Physical Health

When people are dealing with significant debt, they are much more likely to report health problems, according to an Associated Press–AOL health poll conducted in 2008.² Roughly 10 to 16 million people are "suffering terribly due to their debts, and their health is likely

1 Federal Reserve statistical release, "Flow of Funds Accounts of the United States, Second Quarter 2009."

2 AP-AOL poll, conducted March, 24 – April 3, 2008. See <http://surveys.ap.org/> for full results.

to be negatively impacted,” says Paul J. Lavrakas, a research psychologist who analyzed the results of the survey.³ Lavrakas and his colleagues from the Ohio State University developed the “Debt Stress Index” to track the impact of worry about financial debt on health and well-being. The index hit a record high in July 2009 and has only slowly decreased with the first signs of economic recovery. Among the people reporting high debt stress in the AP poll, 27 percent had ulcers or digestive-tract problems, compared with eight percent of those with low levels of debt stress, and 29 percent who suffered severe anxiety, compared with four percent of those with low debt stress.

We can’t conclude from these findings that financial stress is the lone culprit in poor health outcomes, but medical research suggests that these types of symptoms are representative of chronic stress. The body reacts to stress with a “fight-or-flight” response, releasing adrenaline and cortisol, major hormones associated with stress. In situations of persistent stress, the body adapts to adverse conditions by establishing a new state of equilibrium, and the elevated levels of these chemicals can cause significant physical harm to vital bodily systems such as blood pressure, heart rate, memory, mood, and immune functioning.

On a more intuitive level, money is more than just cash and coins. Just ask anyone who’s suffered a layoff, witnessed their retirement savings vanish, or watched helplessly as the value of their house plummeted—money provides feelings of security, power, independence, and freedom. And the threat of ongoing debt or insufficient income can result in feelings of loss of control, anxiety, and other mental and emotional distress. In addition, chronic financial stress has been linked to a cycle of increased workplace absenteeism, diminished workplace performance, and depression.⁴

Financial Stress and Children

The stress caused by overwhelming debt is also having a devastating impact on the well-being of America’s children. School psychologists and guidance counselors have reported an increase in the number of children struggling with stress because of their families’ financial problems.⁵ In addition, the longer-term implications of chronic financial stress are even more alarming. A decade-long study at the Iowa State University Institute for Social and Behavioral Research has shown that children who experience socioeconomic adversity at an early age are at increased risk for experiencing mental health challenges during their teen

3 Associated Press. (June 9, 2008). “Debt Stress Causing Health Problems, Poll Finds.” Retrieved from <http://www.msnbc.msn.com/id/25060719/>.

4 R. L. Weisman, “Personal Financial Stress, Depression, and Workplace Performance,” in *Financial Stress and Workplace Performance: Developing Employer-Credit Union Partnerships*, The Center for Credit Union Innovation and Filene Research Institute, Madison, Wisconsin, 2002.

5 Brody, Leslie. (2009, September 20). Recession’s toll on children: Parents aren’t the only ones who suffer when jobs are lost and money is tight. *Chicago Tribune*.

years.⁶ The study finds that young people from poor families are particularly vulnerable to becoming “trapped in the self-perpetuating cycle of adverse life circumstances and poor health.” K. A. S. Wickrama, one of the authors of the study, concluded, “What needs to be done is enhance the kids' resiliency factors—such as investing in kids' education and psychological competency programs. The policies and intervention programs need to focus on early intervention . . . because early levels of depression have a persistent influence.”⁷

Restoring Financial Control and Healthy Communities

Although we certainly need to focus on the major influences on the macroeconomy, such as the availability of credit and stability in the housing market, we can't overlook the real physical pain that individuals and families are experiencing as a result of their precarious financial situations. Our community development responses must include efforts that put households on sure financial footing. These responses include job training and workforce development, access to education, affordable housing, small-business development, and, above all, sustainable capital to finance these efforts. In addition, we need to advance effective and efficient financial education efforts that empower people to make lasting changes in the ways they manage their personal finances. These types of community development efforts will be vital components of our collective recovery to economic and physical health.

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6 Iowa State University News Service. (2008). ISU study finds early family depression has lasting effects on teens, young adults. Retrieved from <http://www.public.iastate.edu/~nscentral/news/2008/dec/depression.shtml>.

7 Ibid.