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Financial Anxiety: a Multidimensional Model for a Multifaceted Phenomenon

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Abstract

The latest years, characterized by the Covid-19 pandemic and major geopolitical crises, have brought several abrupt social changes, which in turn heavily affected mental health. One of the most spread consequences of worldwide upset is financial anxiety or the sense of unsafety about one's economic condition. Despite the evidence of its weight in individual and societal lives, it is commonly regarded merely as a subtype of anxiety state. Accordingly, so far, objective factors and a few subjective characteristics related to financial anxiety have been considered. However, a multidimensional model of this phenomenon including cognitive, personality, and physiological traits is strongly required. The impact of financial anxiety on mental health and dysfunctional economic behavior compels the adoption of a multifaceted research approach to develop clinical, economic, and political measures to support the individual and society.

Keywords: Financial Anxiety; Stress; Economic Crisis; Pandemic

Introduction

The latest years have brought several abrupt changes and upheavals in citizens' everyday life and work all over the world. The pandemic due to Covid-19 forced people to adopt new lifestyles and work models. Along with the threat to one's and loved ones' life, the economic backlash affected individuals' lives. The working framework has undergone massive changes in a few months [1], thus demanding crucial efforts for individual and organizational outcomes. Increasing layoffs and pay cuts generated a global economic downturn, which has then led to increased fear of economic loss and increased levels of uncertainty about individual and general financial status. Not to mention the insecurity and confusion about risks to workers' job life [2]. The perception of economic uncertainty grew up and spread determining acute stress reactions and anxiety about economic safety [3]. Women increased their productivity with a massive effort to balance family and work demands, while younger workers' excessive engagement in working activities and higher achievement orientation could have facilitated stressful adjustment and the perception of economic unsafeness [4-6].

Moreover, immediately after the relevant relief from the pandemic and the gradual back to work in usual conditions, other crucial geopolitical events involving all the countries in the world, mainly the crisis in Ukraine and the fragile balance in the Middle East, determined also a new wave of economic crisis. In this sanitary, cultural, and political context, the phenomenon of financial anxiety is expected to rise.

Financial anxiety can be defined as a psychosocial syndrome that results in someone having an unhealthy attitude toward thinking about, engaging with, or effectively administering their financial situation [7,8]. Financial anxiety at the moment does not represent a clinical entity characterized by formal diagnostic criteria. Despite this, on one side it is conceived as an anxiety phenomenon characterized by a set of behavioral, affective, and cognitive answers of the individual to the perception of a danger or a threat to one's physical or psychological health and integrity [9]. On the other side, it would be simplistic to underestimate its specific features, focus, and behavioral adjustments. In fact, along with typical and generic anxious symptoms (e.g., sleep disturbances, fatigue, headache, and migraine), financial anxiety is best characterized by a sense of helplessness, low self-esteem, resignation, irresponsibility, and avoidance of all the stimuli related to financial and economic issues. The individual perceives a low sense of self-efficacy in administering one's money and his financial choices can be jeopardized by a low sense of control and thus are poorly effective. In addition to this, he/she experiences the tendency not to reflect on financial conditions and avoid suggestions of possible improvements. Financial anxiety is strictly related to subjective wealth, that is the sensation of satisfaction deriving from one's economic situation [10]. Given the stress determined by subjective wealth and financial anxiety, individual mental wellness and quality of life can be severely prevented.

A very large study carried out in the USA between 2018 and 2020 [11] highlighted that about 20% of adult subjects experienced stress and anxiety related to the management of financial issues. Interestingly, this psychological discomfort was more common among women and the youngest people. Italy was one of the European countries which most suffered the violent impact of the pandemic due to Covid-19 and its consequences also on mental health and social tissue [12]. In 2020, a national report describing the general population's attitude toward money was published [13]. About 35% of the Italian sample described a sensation of anxiety when thinking about one's economic status, with peaks among middle-aged subjects, women, and people with lower education.

Interestingly, a subsequent Italian study [14] highlighted that about half of the sample reported feelings of anxiety (53%) and stress (42%) when reflecting on one's financial issues, with 9% of the sample reporting very intense sensations of anxiety. However, differently from the previous report, men and people with higher education were characterized by higher levels of financial anxiety. Indeed, the two Italian reports draw two partially different stages of the pandemic, characterized by different sanitary conditions. However, this evidence does not fully accounts for the discrepancies in data.

Despite this growing evidence of the phenomenon of financial anxiety in the general population, and its backlash on mental health and dysfunctional economic behaviors, studies about the underpinnings of financial anxiety are scarce. In the literature as well as in the mentioned reports, among the factors modulating financial anxiety, mostly objective elements have been considered, such as the number of children, the salary, the working position, and financial literacy. However, our knowledge of psychological, clinical, cognitive, and physiological correlates of financial anxiety is inadequate. The above-mentioned reports and other studies cite some sparse personality factors too, for instance, risk aversion and a low sense of financial competence. Even poorer is the knowledge of physiological correlates of financial anxiety. So far, moderate to high levels of physiological arousal along with financial anxiety showed to play a role in financial planning activity [7]. However, studies concerning the physiological and neural underpinnings of financial anxiety are lacking.

A multidimensional model of financial anxiety, able to integrate objective, personality, and physiological factors is advocated, which would outline a precisely defined symptomatology and phenomenological description and consistent epidemiological data. In turn, this would allow to highlighting of more vulnerable segments of society to support the management of financial resources. Not to say, clinicians would develop specific therapeutic interventions tailored to moderate financial anxiety and its adverse impact both on the individual mental health and personal wealth. So far, cognitive and behavioral therapeutic interventions have been implemented [15], but they are usually strictly focused on financial issues, possibly neglecting wider psychological issues. Last but not least, politicians and public administrators would implement educational and informative interventions to answer a social emergency. Some financial literacy initiatives have been undergone [16], but they represent the exception rather than the rule, especially in the scholastic context.

These aims require investigating, in addition to demographic and objective information, the cognitive factors affecting financial anxiety, such as cognitive style, openness to external feedback, attention biases, cognitive biases and heuristics, cognitive overload, loss aversion, and jumping to conclusions. Self-efficacy, self-esteem, but also the locus of control, cognitive insight, and the relationship with other mood and/or anxiety processes may represent relevant personality factors to deepen. Finally, physiological and neural correlates should be investigated for a full and exhaustive description of the phenomenon. The heart rate variability, the EEG, and the investigation of cerebral areas activation and inhibition processes can provide salient information to understand mechanisms facilitating financial anxiety. Moreover, these data would allow researchers to assess more efficiently and reliably the phenomenon, by the development of adequate and validated questionnaires and scales.

Conclusion

Financial anxiety is an increasing clinical and social phenomenon that may heavily jeopardize the quality of life and mental health, strictly related to geopolitical and global economic changes. Future studies focusing on a multidimensional model able to consider cognitive, personality, and physiological factors characterizing financial anxiety, as well as a definite phenomenological outline, are welcome as they would facilitate multilevel intervention, including clinical, social, and political measures to support citizens and prevent individual and social crises.

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