1 Small Steps to Health and Wealth Overview

Unless you think about, choose, say, and do what you really want,
you risk getting stuck with a life or circumstances you do not desire.

—Unknown

Every New Year's Eve, millions of Americans resolve to get healthier (e.g., quit smoking and lose weight) and wealthier (e.g., increase savings and reduce debt). This is not surprising because health and personal finance "issues" (people don't have problems anymore...they have "issues") affect millions of Americans. Major societal problems that have been widely reported in recent years include an increasing incidence of diabetes, more overweight and obese adults and children, low household savings rates, and high household debt. Many people are overweight, have few financial resources, and are looking for a way to *both* live healthier lives and achieve financial security.

The statistics are startling. *F as in Fat: How Obesity Threatens America's Future 2010* reports a continued increase in obesity rates with adult rates increasing in 28 states and significant disparities among racial and ethnic groups. According to a 2011 report, *Obesity: Halting the Epidemic by Making Health Easier*, more than one-third of adults and 17% of U.S. children are obese. Obese is defined as a body mass index of 30 or greater, see page 59. From 1980 to 2008, obesity rates doubled for adults and tripled for children. Unfortunately, statistics about Americans' financial status aren't any better. The savings rate of U.S. households, while higher than before since the 2008–2010 financial crisis, is still a relatively low 5% to 6%. Simultaneously, levels of household debt and bankruptcy filings remain high. The average credit card debt of households with credit card debt is about $15,000. Data are no better with respect to household net worth. The median net worth (assets minus debts) of U.S. households in 2010 was $77,300. The April 2004 *AARP Bulletin,* in an article called "Facing a Savings Crisis," noted that 36% of working adults said they hadn't started saving for retirement, while another 16% said they'd put aside $10,000 or less. More than half of U.S. households are believed to live "paycheck to paycheck."

What's wrong with this picture? Why are so many people at risk for health and/or financial crises? An alarming 79 million Americans have "pre-diabetes" (a high enough blood-sugar level to substantially increase their risk of disease) according to the U.S. Department of Health and Human Services (HHS). Some 25.8 million Americans already have full-blown diabetes. Millions of other Americans are living on the "financial edge" with less than the recommended three months' emergency fund and little or no money set aside for long-term financial goals, such as college for their children and retirement.

Life doesn't have to be this way: living in fear of developing a catastrophic illness, experiencing financial ruin, or both. Almost *everyone,* except for the most desperately ill and poor, can do *something* to improve their health and finances. So why don't we? One reason is that self-improvement goals often seem so insurmountable. For example, lose 50 pounds and save a million dollars for retirement. Who wouldn't be afraid to get started? That's why the "small steps" approach is so useful. *Anything* you do to improve your health and/or accumulate wealth is a step in the right direction. Maybe you'll lose 25 pounds and save $250,000. That's okay. It's still *a lot* better than doing nothing.

Former HHS Secretary Tommy G. Thompson alluded to the "small steps" approach to improving health when he stated "Consumers *don't* need to go to extremes—such as joining a gym or taking part in the latest diet plan—to make improvements to their health. But they *do* need to get active and eat healthier." The same is true for improvements to your personal finances. *Small steps* are key. Fortunately, you don't have to do all the work by yourself because compound interest and employer matching of deposits to retirement savings plans (e.g., 401(k)s) are two of the best friends a saver can have. Save what you can (e.g., 2% of your salary) now and, when you are able to kick it up a notch (e.g. 5%), *do so.*

No step is too small to get started and you can *never* be too early or too late. In another chapter, you'll see exactly how small amounts of savings—just $10 a week—and small dietary changes can have a powerful effect over time. For example, compound interest helps build wealth because interest is paid on previously earned interest as well as the original deposit or investment. Never underestimate its awesome power. Mathematical genius Albert Einstein is reported to have called compound interest "the 8th wonder of the world" because he was so impressed with the concept.

No step is too small to get started and you can never be too early or too late.

The "small steps" approach is so powerful that the HHS department has designed an interactive website (www.smallstep.gov) to encourage Americans to make small activity and dietary changes, such as using stairs instead of an elevator and eating more fruit and less cake. Check it out. There are some very good ideas along with a few "flaky" ones ("Take wheels off your luggage"?). The website is organized around four main small-step tasks: get the facts, eat better, get active, and learn more.

By now, you might be wondering how a certified financial planner (CFP®) with a Ph.D. in family financial management and a registered dietitian (RD) with an Ed.D. in allied health education and nutrition teamed up to write *Small Steps to Health and Wealth*. In 2003, Rutgers Cooperative Extension decided to focus its adult consumer education programs on health and wellness topics instead of both health and personal finance. As we prepared to "retool" to teach and conduct research on the financial aspects of health, we started paying attention to health and wealth linkages and realized that there were financial parallels for virtually every health problem and behavior-change strategy. It was like translating "health language" into "personal-finance language" but the underlying messages about changing behavior were basically the same. After about a year of investigating health and personal finance linkages, we identified 20 common issues (see Chapter 2, *Health and Wealth Connections,* page 7) and 25 common behavior-change strategies (see Chapter 4, *25 Behavior-Change Strategies for Health and Wealth,* page 16).

Others have also noticed strong relationships between health and wealth. The book *Getting Rich in America: 8 Simple Rules* by Dwight Lee and Richard McKenzie discusses maintaining good health as a major factor associated with wealth creation. These authors point out that healthy people are often more productive at work and more likely to get promoted and earn larger salaries than unhealthy people. They also have fewer work absences and medical expenses that erode their wealth. A healthy lifestyle also increases a person's chances of living longer—so another financial benefit of good health is that people live long enough to collect their Social Security and pension benefits.

Another impact of good health upon wealth, according to Lee and McKenzie, is that the longer one lives, the longer compound interest works its magic to increase the value of one's savings. This point was brought home in the late 1990s, when a 91-year-old woman in Sussex County, New Jersey died and left about $3 million to local charities. She was a school teacher, who never made more than $16,000 a year before she retired. People were amazed at both her generosity (her bequests were a surprise), as well as her wealth, and the fact that she was, quite literally, "the closet millionairess next door." "How could she possibly have had all this money?" people asked. Further examination revealed that she did everything that the "millionaire books" at that time were advising: she lived below her means, bought and held high-quality blue-chip stocks, invested the maximum allowed in her tax-deferred 403(b) retirement savings plan, and had seven decades of compound interest on her side.

Lee and McKenzie also talk about the financial impact of eliminating specific unhealthy behaviors. They give an example of investing $1.50 a day saved by not consuming junk food, alcohol, or tobacco from age 18 to 67 (full retirement age for younger workers). The result? Almost $300,000 at an 8% rate of return. Bump that amount up to something more expensive such as a pack of cigarettes and you're talking about the difference between becoming a millionaire several times over at retirement...or not.

During the time that we were becoming more fully aware of health and wealth connections, David Bach's book, *The Automatic Millionaire,* was published. In it, he uses the trademarked phrase, "The Latte Factor," to describe the strategy of "finding" money to invest by redirecting the money spent on small everyday expenses, such as expensive coffees and snacks. But Bach only described half of the story...the amount of money that could be saved by eliminating expensive lattes as a habit. A subsequent article in *Consumer Reports* listed the caloric value of different types of lattes. A 10-oz. Dunkin Donuts Mocha Swirl Latte (with whole milk) cost $1.79 in 2005 and has 230 calories. A 16-oz. Starbucks Chocolate Frappuccino Blended Crème (with whipped cream) cost $3.40 and has a whopping 530 calories. This is more than a quarter of the total calories that most people need in an entire day. Not only are fancy coffees hazardous to your wealth (one of Bach's students calculated a lifetime cost, including foregone interest and employer matching on a 401(k) plan, of over $1.7 million) but they're also not great for your health either. *Consumer Reports* described these lattes with the phrase "coffee as candy" in the title of their article.

There are many similarities between health and personal finance "issues" and behavior change strategies.

As you will see throughout this workbook, there are many similarities between health and personal finance "issues" and behavior-change strategies. The only difference is in their application. So it occurred to us that what was really needed is information about changing behavior, with health and personal finance issues as examples. After all, there are already many fine books and programs available that can teach people how to invest or how to reduce dietary fat and sugar. What is really needed is information about changing behavior.

Small Steps to Health and Wealth provides a detailed description of 25 "small steps" that readers can take to improve their health and increase their wealth simultaneously. Just think of it: you'll be doing two things at once, "dovetailing," "multi-tasking"...whatever you want to call it. Instead of making two separate New Year's resolutions (e.g., "lose weight" and "save money"), you can pick a strategy (or two or three) and apply it to both goals. Think of the ideas provided by this workbook as akin to the menu in a diner or Chinese restaurant. You can't possibly try everything at once. Instead, you'll want to pick strategies that mesh best with your income, goals, and lifestyle.

Poor health and financial behaviors generally take time to reach critical proportions.

As you read about the 25 strategies that you can use to simultaneously improve your health and finances, you will become aware of five overall themes: 1. *time,* 2. *control,* 3. *knowledge and awareness,* 4. *automation,* and 5. *environment*. *Time* is a key factor because poor health and financial behaviors generally take time to reach crisis proportions. It also takes time to reverse the damage by a change to more positive habits. A health example is gaining weight. On average, Americans gain a half pound to a pound a year. A typical man gains 18 pounds from age 20 to 50 and women gain about 26 pounds. It takes an excess of about 3,500 calories to gain a pound. Break that down further and you'll see that 100 extra calories per day will add about 10 pounds a year (100 calories × 7 days × 5 weeks = 3,500 calories × 10 five-week periods in a year). The good news is that losing 10 pounds in a year can be as easy as eating 100 calories *less* each day for a year.

A comparable financial example is Americans' large debt balances. Many households have a permanent revolving credit card balance that has been dubbed "perma-debt." Perma-debt never goes away and, in fact, will increase every year if you're in the habit of charging more each month than you repay. Not only do you have the unpaid balance with which to contend but increasingly higher finance charges as outstanding balances rise. Again, the good news is that small, positive steps make a difference. For example, add a dollar a day extra to the minimum payment due on a 17% credit card with a $5,000 balance and minimum payments of 2% of the outstanding balance. You'll save 30 years of payments and $7,624 in interest according to the book *Slash Your Debt* by Detweiler, Eisenson, and Castleman. Another facet of time as it relates to health and wealth is that you can set a deadline for both health and financial goals (e.g., how long it will take to lose 20 pounds or save $3,000). Time also affects specific actions taken, such as the amount of time available to exercise or to research investment options.

There is a school of thought that personal *control* is an important factor affecting changed behaviors such as those associated with improving health and building wealth. Very often, when there's a will, people find a way to achieve a desired goal. An inspirational success story on the www.smallstep.gov website provides one such example. Marcia Potts, 48, stood 5'3" tall, weighed 317 pounds, and found size 28 clothes too small. Then she changed her life through three years of awesome determination. Instead of consuming "probably 3,000 to 5,000 calories" daily (she wasn't really sure), Marcia joined a popular weight loss program and started eating healthy foods. She also kept a food and activity journal, reduced her portion sizes, and began walking and swimming for exercise. Eventually, Marcia lost 188 pounds with the encouragement and assistance of a supportive fitness instructor. By age 51, she weighed 129 pounds and reported a high energy level versus feeling tired and fatigued three years earlier. Marcia's fitness instructor described her as follows: "She's one of the most disciplined people I know. No excuses. She was single-minded. She truly believed every step she took, every stair she took, and every bite of food—the right kind of food—brought her closer to her goal. She was so motivated." It reminds you of the old high school football cheer: "You can do it, you can do it, if you put your mind to it." In the health arena, there are a number of things that can motivate people to change, including fear of diseases, wanting to look good, being able to wear favorite clothes, and a need to have more energy.

The same control, motivation, determination, discipline, resolve, focus, or grit can be just as easily applied to financial challenges. *Money* magazine recently profiled a couple who had racked up almost $10,000 in credit card debt. Both in their 50s, neither spouse had any money set aside for retirement. Over the course of a year, however, the couple vowed to eliminate their debt so that they could redirect their credit card payments to retirement savings plans. Their strategy: identify cost-cutting moves (e.g., reduced grocery spending and less eating out), add $600 more a month to debt repayment, and apply their $2,300 federal income tax refund to their outstanding debt balance. The couple also stashed their credit card in a bag of water in the freezer and increased their accountability by telling their friends, their family, and all of the readers of *Money* magazine about their plans.

> *When people know more about an issue, they can often make better decisions.*

Several behavior-change strategies fall under the general category of *increased knowledge and awareness*. When people know more about an issue, they can often make better decisions. This is especially true at the "point of purchase," such as when dining out at a restaurant. Some national-chain restaurants publish calorie counts and nutritional information on their menus or websites, which makes it much easier to select healthy choices. Without this information, it can be difficult to estimate and compare calories in unlabeled food items. A good "Plan B" source of information is a "brand name calorie counter" pocket book that can provide a rough estimate of calories consumed.

A financial parallel for helpful "point-of-purchase" information is the illustration required on credit card bills that indicates the time and interest cost of a credit card purchase when only minimum payments are made. This can become a deterrent to "frivolous" spending because many people lack an understanding of the long-term costs of credit. Lack of awareness about credit card fees and traps is widespread. For example, many credit card issuers charge a minimum monthly payment of just 3% of the outstanding balance. On an $8,000 credit card balance with an 18% interest rate, it would take almost 20 years to pay off the debt with a total interest cost of $15,698. Another common credit card trap that is also not well understood is penalty annual percentage rates (APRs). Penalty APRs are generally charged for some type of infraction, such as a late payment. In addition, transaction fees may be charged to make cash advances or balance transfers.

Another area of personal finance where people could use more "point-of-purchase" assistance is understanding the magnitude of compound interest on small, regular deposits over time. Few people become wealthy from their wages or salary alone. Rather, they grow their money—slowly at first and later at a much faster clip—by earning interest on interest. The following example comes from a brochure for the national savings campaign, *America Saves* (see www.americasaves.org). If someone saves $50 a month with a 5% average yield, they'd have $614 after 1 year, $7,764 in 10 years, $29,775 in 25 years, and $76,301 in 40 years ($24,000 principal and $52,301 interest, more than double the amount of their savings). Many people have no idea what multi-decade debt balances and foregone savings opportunities are costing them.

A fourth common theme among some of the 25 behavior-change strategies in *Small Steps to Health and Wealth* is *automation*. In other words, taking action once that precludes future decision-making time and assures future action. An excellent example is a couple described in the first chapter of David Bach's book *The Automatic Millionaire*. Over time, this couple became wealthy and they attributed their success to automating virtually everything about their finances including payroll deposits to savings plans and accelerated mortgage payments. Once a behavior becomes automated, you don't have to think about it again. It's done. And you don't have to worry about having personal qualities like discipline and self-control either. If you've had difficulty "finding" (read: not spending) money to invest for retirement, automated strategies may be the answer.

Once a behavior becomes automated, you don't have to think about it again.

Many investment companies allow investors to open an account and make subsequent deposits with less than the "regular" required deposit amounts if they establish an automatic investment plan (AIP). Here is an example from a well-known family of mutual funds. A regular (non-AIP) account requires a $100 minimum purchase for additional shares. Investors can also open an AIP, called "Automatic Asset Builder," and have their bank account debited for regular, automated deposits, in which case the required minimum purchase is lowered to $50. Many mutual fund companies are willing to accept smaller deposits from AIP investors because they have implemented an automated strategy that will keep them connected as long-term customers.

Examples of automated health-maintenance strategies include regular health screening exams, programmed exercise workouts (such as those available at *Curves* fitness centers for women), and "template" menu plans such as Weight Watcher's "points" program. Automation is one of the best antidotes for "information overload." Many people have way too much health and personal finance information coming at them in printed form, websites, television and radio reports, and other sources. It is easy to get overwhelmed, freeze, and do nothing. Having some automated strategies in place can eliminate the tendency to postpone action when you have to sift through information to decide what's relevant.

The final overall behavioral-change theme is *environment*. People who take steps to control their environment generally have an easier time changing their behavior than those who continue to live surrounded by temptation and negative influences. Researchers who study behavior change refer to the process of restructuring one's environment in order to enhance a new, healthy behavior as "stimulus control." A simple health-environment example is building walking into everyday activities by parking as far as safely possible from your destination and walking the rest of the way. Another is having a small refrigerator and microwave oven available at work to store and to cook healthy lunches and snacks, thereby avoiding the expensive, high-calorie foods from vending machines or cafeterias. If you don't have these two key appliances available at work, ask your employer to provide them or take up a collection among co-workers. At home, one of the best environmental control strategies is to simply not buy high-calorie, low-nutrition foods and beverages and replace them with healthier substitutes. Recall that losing 10 pounds in a year requires eating 100 calories less each day. Some 100 calorie targets for elimination include: 1 tablespoon of mayonnaise, 1 tablespoon of butter or margarine, 1½ tablespoons of regular salad dressing, 2 average-size cookies, an 8-oz. beer, and an 8-oz. cola beverage.

A financial-environment example is having a tax-deferred retirement savings plan, credit union, thrift savings plan, or other payroll-linked "automation opportunity" available at work. Better still, an automated investment plan where available investments have low expense ratios (e.g., stock index funds) and good historical performance relative to stock and bond market indexes. Some employers offer additional services such as automatic portfolio rebalancing and periodic financial seminars for workers. Many employees take advantage of these learning opportunities and act upon the information that is provided.

By now, we hope that you are thoroughly convinced that the foundation of health and wealth lies within you. It truly does. Furthermore, small changes in eating habits, exercising, spending, and saving actually work better than drastic ones. People don't like to feel restricted and deprived. They want to feel in control of their diet and finances.

In the next chapter, *Health and Wealth Connections,* you'll learn more about similarities between health and personal finance "issues." For example, obesity and high household debt usually don't happen overnight. Rather, they occur slowly over time and often go unrecognized—or at least unchanged—until a crisis event (e.g., diabetes or car repossession) occurs. Another commonality is the need to balance "intake" (dollars earned and calories consumed) with "outgo" (household spending and calories expended). If you know you're going to have a big meal or a big expense coming up, you can try to "lighten up" elsewhere in order to stay on track.

Take time to celebrate all of the small steps along your path to self-improvement. According to the U.S. Department of Health and Human Services, research has shown that a person doesn't need to lose a massive amount of weight to see improvements in health. A modest loss of just 5% to 7% of body weight (10 to 14 pounds for someone weighing 200 pounds) helps a lot. Ditto for small financial improvements such as saving $2 a day, plus pocket change, in a can or a jar. In a year, you would have about $1,000 saved...compared to nothing, if you do nothing.

Take time to celebrate all of the small steps along your path to self-improvement.

Today is the first day of the rest of your life. Make the most of it. Take charge of your health and your finances, or do nothing and suffer the consequences. The choice is up to you. The key to your future is in your hands, not your employer's, nor your family's, nor the government's. *Small Steps to Health and Wealth* will provide you with tools to help you succeed, such as the *Small Steps to Health and Wealth Planning Worksheet*, page 113, and *Small Steps to Health and Wealth Resources,* beginning on page 115.

Best wishes for health, wealth, and happiness today and for many years to come.