



Money and mental health

Social research report – executive summary
AUGUST 2022

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ASIC
Australian Securities &
Investments Commission

HEARTWARD
STRATEGIC

Heartward Strategic was commissioned by ASIC in collaboration with Beyond Blue to undertake this research.

Executive summary

Research context and objectives

Heartward Strategic was commissioned by ASIC in collaboration with Beyond Blue to undertake foundational social research to:

- Establish the relationships between financial wellbeing and mental health that exist within the Australian context
- Deepen understanding of these relationships, particularly regarding how financial wellbeing and mental health influence each other, how they impact Australians, and the factors that determine the strength of these impacts
- Identify life experiences and characteristics that increase risk of negative impacts
- Provide suggestions on ways in which financial wellbeing and mental health can be supported.

Research methodology

The research was completed between August 2020 and September 2021, using a mixed-methods approach designed to validate and build on existing understanding, expertise and data. The research approach incorporated five stages operating iteratively, including:

- A review of published literature
- 10 interviews with expert stakeholders, people working in relevant sectors, and a consumer representative
- Secondary analysis of an existing longitudinal national data set– the Household, Income and Labour Dynamics in Australia (HILDA) survey dataset¹
- Primary research with people with lived experience of financial and mental health challenges, including completion of a short online task by 50 people, from which 20 were selected to participate in narrative interviews
- Two collaborative workshops with stakeholders working in the financial and mental health sectors.

¹ Analyses were undertaken on Release 18.0 V2 (published April 2020), which included survey waves 1 to 18 (with the last wave of data collected in 2018-19). Note, the fieldwork for this release predated the COVID-19 pandemic.

Research findings



When I'm in big debt I can't sleep at night, I worry all the time to a point where I have chest pain and I have difficulty breathing. I stress a lot and that was going on for months and months, especially last year. I haven't functioned sometimes at work when I haven't slept all night. That's a big impact on my mental health."

The links between money and mental health

Financial challenges and mental health challenges are common and frequently experienced alongside each other. Analysis of HILDA data shows 14% of Australian adults experienced both financial hardship and mental health symptoms at any time over the five years from 2014 to 2019.

There is substantial evidence that financial wellbeing and mental health are connected. This was confirmed through analysis of the existing literature and HILDA data and supported by research participants (both people with lived experience and practitioners working to support impacted Australians).

Analysis of HILDA data shows that people experiencing financial challenges are twice as likely to be experiencing mental health challenges as those who are not experiencing financial challenges. Similarly, people experiencing mental health challenges are twice as likely as those who are not to also be experiencing financial challenges. Similar relationships exist between other financial indicators and mental health, including:

- Major worsening of finances
- Unpaid bills
- Lack of emergency funds
- Socio-economic disadvantage
- Material deprivation
- Poorer perceived financial prosperity.

Financial challenges can cause a decline in mental health, and mental health challenges can cause a decline in financial wellbeing.

The negative impacts of financial and mental health challenges can accumulate over time, and can be reciprocally reinforcing, leading to downward spirals and entrenched issues. Downward spirals can be unexpected, and can progress more quickly and be more difficult to halt or reverse than the people experiencing them initially anticipate.

Downward spirals:



I was ringing up [utilities provider] and they'll let you defer it for three months and then you pay that and then you go back to the real estate, 'can I defer this?' So, you're just going around in circles essentially..."

A positive relationship also exists between financial wellbeing and mental health, supporting resilience and recovery. Financial wellbeing is significantly associated with mental health in the literature and the HILDA data, and they are shown to have cumulatively positive impacts on each other over time.

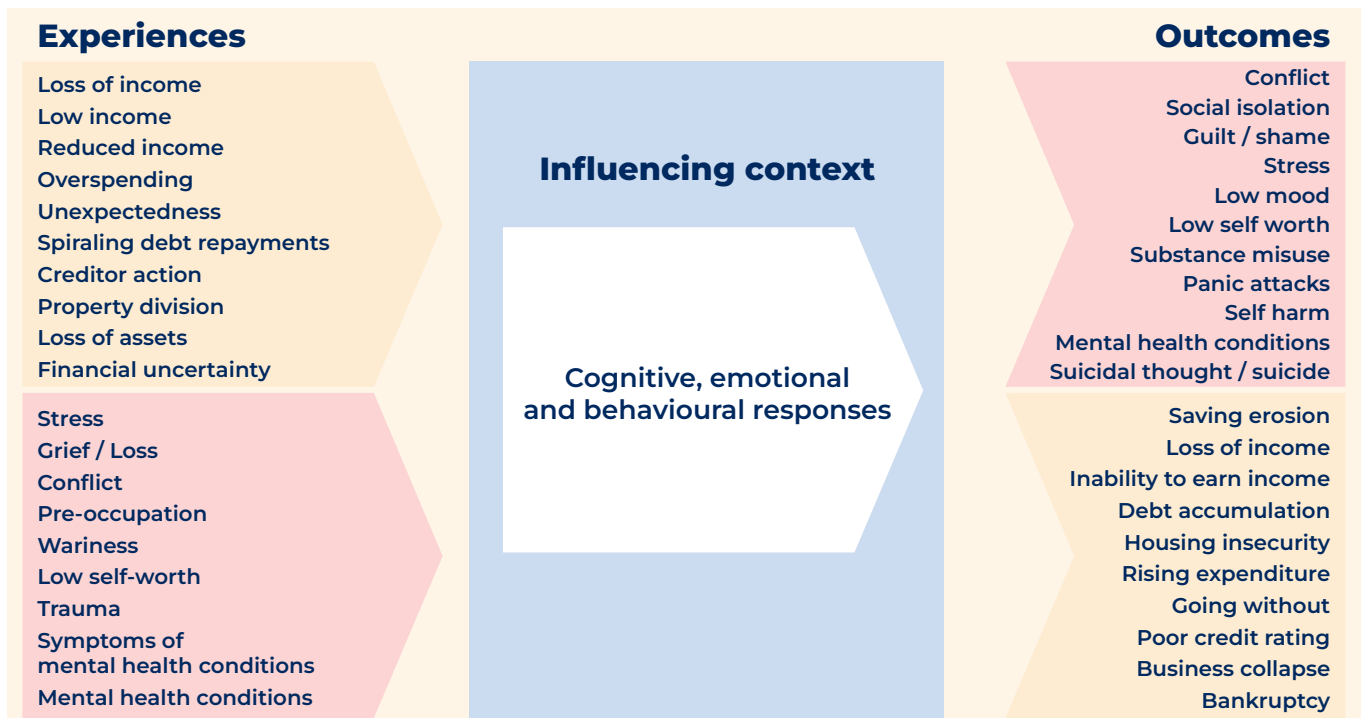


Figure 1. Examples of financial and mental health experiences and outcomes observed in the research

How money and mental health influence each other

People respond to financial and mental health challenges differently. Experiences related to financial wellbeing and mental health trigger cognitive, emotional and behavioural responses in people, which have a range of financial and mental health outcomes. This process, and examples of experiences and outcomes are depicted in figure 1.

There are many influences that determine the cognitive, emotional and behavioural responses to financial and mental health experiences, including socio-cultural, personal and structural influences. Particularly strong influences identified through this research are listed and explained below.

- **Relationships, social support and community connection**
The existence and quality of close interpersonal relationships, social

support and community connection are demonstrated in this research to be causes and consequences of financial and mental health challenges, as well as a determinant of financial wellbeing and mental health. People who feel they have no one to lean on in times of trouble are significantly more likely to experience financial and mental health challenges. Though community participation is important for mental health, withdrawal from community and social interactions is often reported to be one of the first responses to financial challenges.

- **Societal beliefs that prompt shame and stigma**
The research suggests that the way Australians talk about financial and mental health challenges can cause people to feel stigmatised. Research participants perceived a dominant narrative of personal

responsibility in Australia, in which financial wellbeing is seen as being indicative of an individual's success, and debts and perceived poor handling of finances are seen as personal failings. This narrative can lead to shame, anticipated and perceived stigmatised responses from service providers, fear, denial and behaviours that make financial and mental health challenges worse. Such behaviours can include people withholding information about their financial wellbeing and mental health (including from their closest loved ones) and avoiding or delaying help-seeking.

- **Adverse life events**

Having past negative life events is strongly associated with experiencing financial and mental health challenges together. In the HILDA data, those indicating that they had experienced financial hardship as well as symptoms indicating a likely mental health condition, were found to have experienced significantly more negative life events over the prior decade than others.

- **Physical health**

Physical health issues can be both a cause and consequence of financial and mental health challenges. Some lived experience participants in this research indicated their financial and mental health challenges were caused by an injury, disability or health issue which had been costly to manage and had impacted their ability to work and function at the same level that they had previously. Ongoing cognitive and motivational deficits from health issues themselves and from treatments and medication can also make it difficult to make decisions and manage money day-to-day. Financial and/or mental health challenges can also take a toll on physical health. There is an established link between emotional stress, restricted financial resources and physical symptoms such as headaches, insomnia and the development of chronic illness.

Stigma:



I'm ashamed – I was a grown woman, and I was not in control of my life. It got to the point, where finances were like this cloud over the top of everything.”



In this country we still have very much a taboo about money and so people don't want to share. It's very shameful to have debts that you can't pay.”

(Service Provider)



I'm embarrassed. My partner... is so good with finances, he doesn't understand. And my mother-in-law was talking... about people who only pay the minimum credit card balance... that was me and I couldn't say it.”

- **Psychological characteristics and capabilities**

A range of psychological characteristics and capabilities (for example personal agency, perceived competence and self-efficacy) are protective and may act as a 'buffer' preserving mental health despite the effects of financial challenges and stress. This buffer can be vulnerable to repeated challenges and can lead to behavioural patterns and responses that increase the likelihood of further financial and mental health challenges.

- **Unequal access to supports and overall social inequities**

Social inequity can exacerbate the negative impacts of financial hardship and mental health on each other. Access to services and opportunities is not evenly distributed across societies, often meaning those with the greatest need face the greatest barriers to support, determining outcomes. Comparison to others with a different level of material advantage in societies with large income inequality can also prompt shame, self-recrimination and inhibit help-seeking, impacting mental health.

Experiences and characteristics that increase risk of negative outcomes

Some personal life events (for example, life transitions, relationship changes and traumatic events) directly impact financial wellbeing and mental health simultaneously, placing people at increased risk of negative outcomes in both spheres. People from a broad range of backgrounds, even those with previously stable financial wellbeing and mental health, can be subject to the dual impact of these life events, and their outcomes can be associated with feelings of guilt, personal responsibility and shame.

There are also large-scale, community-wide challenging events that impact both financial wellbeing and mental health. The key differences between these and personal

events are that large-scale events negatively impact whole communities, and they can also engender a supportive sense of solidarity. Such events identified in the research include natural disasters, public health crises, economic downturn or disasters, and geopolitical crises.

The impacts of challenging personal and community-wide life events on financial wellbeing and mental health are cumulative, with greater impacts experienced as the number of challenging life events experienced increases.

Several groups in the community are also more susceptible to experiencing negative impacts from financial and mental health challenges, including young adults, women, first nations peoples, people experiencing intersectional vulnerability and small business owners.

Small business:



When we're talking about the mental health of the impacts of small business, first of all, it's self-worth. Second of all, it is a responsibility to feed my children, my family, put a roof over their head, etc, and the impact of becoming insolvent says, 'I'm a failure', not just to my partner and children, but also to family, friends..."

Young person:



When I get depressed, I'm more likely to go on [buy now pay later service] and buy things that are just going to bring me some temporary enjoyment."

Supporting wellbeing

This research identifies 'turning points' in experiences that can be the catalyst for improvements in financial wellbeing and/or mental health, including intervention by friends and family, service providers and employers. Participants often reported turning points occurring after 'rock bottom' moments and identified 'upward spirals' occurring afterwards, in which positive improvements in financial circumstances led to positive improvements in mental health and vice versa.

There is evidence from this research that those experiencing financial and mental health challenges typically engage in problem-solving multiple times before reaching crisis points, with mixed success. There are a number of reasons why initial help-seeking can be unsuccessful or ineffective, including the unsuitable or inflexible design of supports, lack of awareness of suitable supports, and an over-reliance on short-term solutions that defer problems or create later additional issues. Set-backs in help-seeking wear people down, prompting increased feelings of shame and inhibiting further help-seeking.

This research also reveals a range of personal, situational and structural barriers to earlier and more effective intervention. These include overconfidence in the ability of personal resources or other supports to overcome challenges quickly, too-easy access to credit products relative to supports addressing root causes of challenges, ineffective communication channels with financial institutions and the sometimes siloed nature of supports.

Stakeholders in this research noted opportunities to build on positive interventions already in place and to design additional supports across service design, service provision, education and communication, cross-sector collaboration and referral, and systemic, policy and regulatory changes. These stakeholder-suggested opportunities are detailed in table 2 (p.59) of the report.

“
The biggest smile came on their face with the pay check – it meant that they could decide what they were going to have for dinner that night... the freedom was just incredible, ... it was giving them money, it was giving them self-confidence and pride in themselves.”

The research findings have deepened understanding of the relationship between the concepts of financial wellbeing and mental health, in particular, why and how experiences in one area lead to outcomes in the other. Drawing this understanding together with validated theories² has enabled the creation of a lens, represented in figure 2, which can:

- Illuminate the relationships between financial wellbeing and mental health
- Help identify people at risk or needing support

- Assess the efficacy of existing products, services and supports
- Assist the design of more effective financial wellbeing and mental health support options.

This lens, summarised in figure 2, illustrates how the factors influencing financial wellbeing and mental health trigger cognitive, emotional and behavioural responses, which have financial and mental health consequences. These influencing factors can be grouped into three domains ('connection and community', 'confidence and capability', and 'security and choice') based on the fundamental human needs they meet and automatic response patterns they trigger. These domains also sit within a sociocultural and physical health context. The three domains are associated with particular positive and negative influences, and characteristic thoughts, feelings and behaviours which can be used as indicators of potential financial and mental health challenges. These are summarised in figure 2 and detailed further in tables 3 to 5, starting on page 65 of the report.

² Self-determination theory and polyvagal theory. The process of developing the lens is described in more detailed in the section 'A lens to inform prevention and recovery supports.'

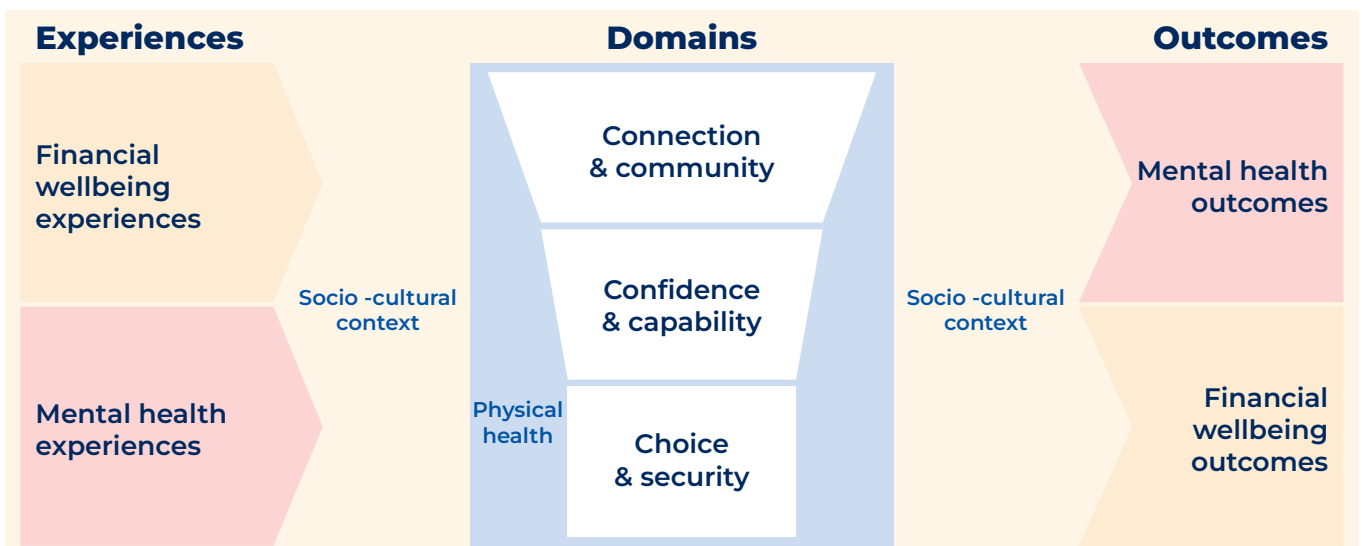


Figure 2. Lens illustrating how financial wellbeing and mental health influence each other.

Observations and opportunities

Observations

This research builds on the solid foundation of literature establishing the close relationship between financial wellbeing and mental health and extends this body of work by illuminating these issues in the Australian context. It stresses the reciprocal relationship between financial wellbeing and mental health, the spiraling nature of their downward and upward effects on each other, and the cumulative impacts of challenges in both areas. The findings of this research indicate there is a collective responsibility and opportunity, regardless of sector, to continue to support financial wellbeing and mental health.

This research also presents a new lens through which influencing factors, that determine how and to what extent financial and mental health outcomes follow from experiences, can be viewed and understood. It suggests that resilience in the face of challenge can be bolstered through efforts targeted at the domains of 'connection and community', 'confidence and capability' and 'choice and security', with positive change in more foundational domains (notably 'choice and security') flowing on to improvements in other domains.

Opportunities

The findings from this research suggest there are opportunities to continue to build on effective activities currently being undertaken in both the mental health and financial wellbeing sectors, by:

- Understanding and building on the links – continuing to promote awareness of the close relationship between financial wellbeing and mental health, and the importance of these elements for the overall health and wellbeing of all Australians.
- Challenging stigma –further challenging stigmatising attitudes associated with mental health, financial challenge and what

it means to be 'successful' and encourage open communication about financial and mental health challenges.

- Considering the whole person – taking into account the cognitive, emotional and behavioural impacts of financial and mental health challenges and encourage the development of resilient behaviours in the face of unexpected life and community events.
- Searching out where people gather – exploring settings-based initiatives that can be used for prevention and early intervention when early indicators are observed, for example in workplaces, and educational, health and community settings.
- Applying a novel lens to support understanding and intervention – when designing or improving products and services, there is an opportunity for support and service providers to apply the novel lens proposed in the report. Examples of how this lens can be applied to products, services and supports so they promote 'connection and community', 'confidence and capability', and 'choice and security' are provided on page 69 of the report.



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