HEALTH HUB

MARCH 2025

EMPLOYEE WELLNESS
EST 1990
SALT LAKE COUNTY

Mastering Personal Financial Wellness: The Dave Ramsey Approach

Mastering Personal Financial Wellness: The Dave Ramsey Approach

YOUR PERSONAL FINANCES IMPACT YOUR HEALTH AND WELLNESS

Written by: Jaclyn Miller, MPH, CHES

A common definition of wellness is the overall feeling of being healthy, happy, and free from worry. Being financially well holds importance similar to other aspects of wellbeing like social or intellectual wellness. Financial wellness cannot be analyzed by a single concept, rather it is an overall evaluation of a person's comprehensive financial satisfaction, situation, attitudes, and behaviors. Financial wellness includes having enough income and assets, access to quality healthcare and personal care, the right combination of products and services, along with legal preparedness and professional guidance (Joo, 2008).

Financial wellness is one aspect of overall health and wellness and certainly plays a large role in achieving the highest level of health possible. A lack of attention to financial wellness can directly affect a person's ability to manage other aspects of wellness. For example, if you're feeling stressed about finances, your emotional and physical health may suffer. The mind and body could face adverse outcomes from high financial stress resulting in medical complications such as risks for ulcers, migraines, heart attacks, depression, anxiety, and sleep disturbance. Lack of financial wellness could also lead to unhealthy and dangerous coping mechanisms and complicated relationships (Melnyk & Neale, 2018).

It can be overwhelming to know where to start and what to do with finances when there are so many different voices and opinions on money. In this review, we'll discuss personal financial wellness the Dave Ramsey way but know that this is just one of many methods to discuss money. There are so many strategies for achieving your financial goals. While no specific financial method is going to be right for everyone, Dave Ramsey has come up with some techniques that have helped millions of lives, and it might be the right financial action plan for you.

The Baby Steps

Who is Dave Ramsey anyway?

Ramsey was once in a financial hole drowning in debt and worried about how he was going to climb his way back out. His turning point was when he realized that he had to look in the mirror and see that his money problem started and ended with himself. Since then, Ramsey has created a successful business, Ramsey Solutions, with a radio show and other resources that answer people's money questions and help them achieve their financial goals. Let's look into the Ramsey philosophy (Ramsey Solutions, n.d.a).

The Baby Steps: A proven guide for living a financially well life

Ramsey Solutions teaches the Baby Steps to guide money management. These seven Baby Steps try to simplify the process, build momentum, celebrate small wins along the way, and empower you with confidence. The Baby Steps will help you ditch debt and build wealth.

Step 1. Save $1,000 for your starter emergency fund

Save up or keep $1,000 in an emergency fund. If there's any money left, throw it at the debt. The $1,000 is meant to be used as a small buffer for unexpected life events. The starter emergency fund is not enough to truly cover major emergencies, but it is a great motivator to get out of Step 1 and move on to tackling Step 2.

In Step 1, also get started with setting up a zero-based budget to help with saving up that emergency fund and developing essential budgeting skills. A zero-based budget gives a place and name for every dollar coming in and going out for the month to maximize efficiency and minimize waste (Ramsey Solution, n.d.b).

1) LIST TOTAL EXPECTED INCOME FOR THE MONTH

If you have an irregular income, list the average from the lowest-earning month.

2) LIST ALL EXPENSE CATEGORIES AND EXPECTED DOLLAR AMOUNTS

3) SUBTRACT EXPENSES FROM INCOME TO GET TO ZERO

Leftover money goes into either paying off debt or into savings.

4) TRACK ALL TRANSACTIONS AS THEY COME INTO YOUR ACCOUNT

Many apps, such as Every Dollar, connect directly to your bank account to allow you easy access to tracking your budget daily.

5) MAKE A NEW BUDGET BEFORE THE NEXT MONTH BEGINS

Budgets may be similar month-to-month, but sometimes there are differences in bills because of the time of year. The goal is to be able to plan ahead for the variability as best as possible before the next month.

Step 2. Pay off all debt (except the house) using the debt snowball

While there are a couple of different methods for paying off debt, Ramsey Solutions suggests the debt snowball strategy. List all consumer debts by balance from smallest to largest dollar amounts, excluding the mortgage, regardless of interest rates. Pay minimum payments on all debts and work on knocking out the smallest debt first. With each debt paid, you'll gain momentum resulting in a snowball effect that sustains motivation to keep going!

Step 3. Save 3-6 months of expenses in a fully funded emergency fund

If you're on Baby Step 3, that means all consumer debt is gone! Now you can get started on saving more money for an emergency fund that can withstand bigger problems such as the loss of a job or your car breaking down. This protects you from going back into debt.

Figure out how much money is needed for your family to live on for 3-6 months of expenses. The 3–6-month range allows you to evaluate your risk and how much of a safety net you might need. For example, if you have a one-income household, consider saving for six months. Store all that emergency fund in separate high-interest savings or money market accounts.

Step 4. Invest 15% of your household income in retirement

Baby Steps 4, 5, and 6 are worked on simultaneously, but you get started on each Step in numerical order.

Begin regularly investing 15% of your gross income into a retirement account. Figure out if your employer offers a 401(k) and invest up to the match. Then open a Roth IRA and max out the contributions. If you still have more room to get up to 15%, head back to the employer 401(k) and add the rest of your contributions into that account. Get involved with an investment professional to help you out with investment strategies. Ramsey Solutions offers Smartvestor Pros (Ramsey Solutions, n.d.c).

Step 5. Save for children's college fund

If you have kids, start saving up some money for future educational expenses in an Educational Savings Account (ESA) or 529 college savings fund. Encourage your kids to get their diplomas without debt by going to an in-state or community college and working throughout school to help with tuition and fees.

Step 6. Pay off your home early

After getting retirement contributions up to 15% and setting up saving money for kids' college funds, start paying off your home early. Getting rid of that last bit of debt is complete freedom. Putting extra money towards the mortgage can save you money otherwise going to interest.

Step 7. Build wealth and give

The last Baby Step allows you to live and give like no one else. You are no longer tied up to mortgages or any consumer debt dragging you down. You can share your wealth with charities and other worthy causes. Create a lasting legacy with an inheritance for your family. Keep building wealth and maxing out all those retirement accounts all while being outrageously generous.

Ready to get started on a financial wellness journey? You could start working the Baby Steps wherever you're at, participate in a Financial Peace University class near you, listen in on The Ramsey Show on whichever platform you listen to podcasts, or hop online to explore the Ramsey Solutions website. Your financial wellness is in your hands when you take the first step to lasting financial peace.