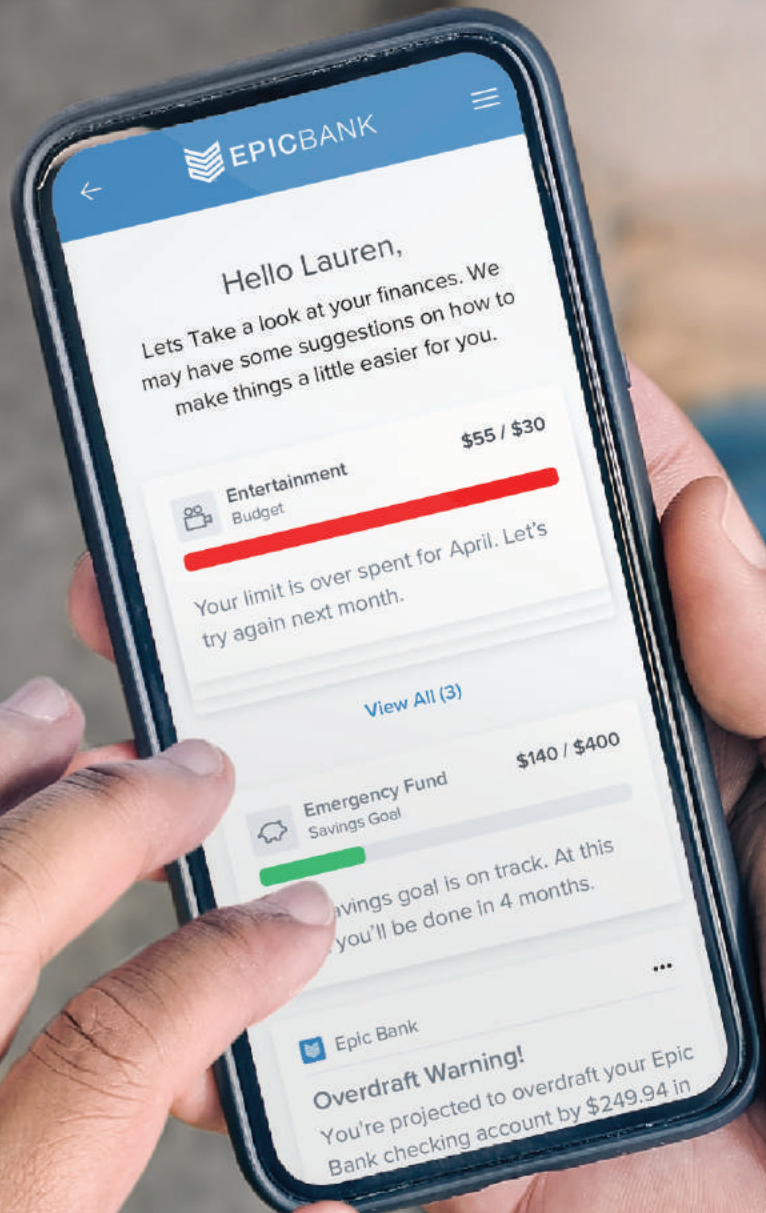


MX

# A New Age in Personal Financial Wellness





## What is a budget

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A budget is arguably the backbone for an actionable personal financial plan to help people achieve long-term financial success. In essence, a budget plan is a blueprint of a person's financial life.<sup>1</sup> It tracks how money is being spent on an ongoing basis—from recurring payments to everyday purchases. A thorough budget makes it easier to prepare for big ticket items, and helps people avoid running into trouble if an unexpected expense occurs.

Today, "the typical American spends 61.3% of their annual income on [housing, transportation, and food]."<sup>2</sup>

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of the typical American annual income is spent on housing, transportation, and food

And according to a recent Pew survey, "55% of U.S. households spend everything—or more than—they make most months, and many have little or no savings to deal with financial shocks."<sup>2</sup>

And unfortunately, unexpected "events are more common than people might think: Over the course of a year, 6 in 10 families experience financial shocks."<sup>2</sup>

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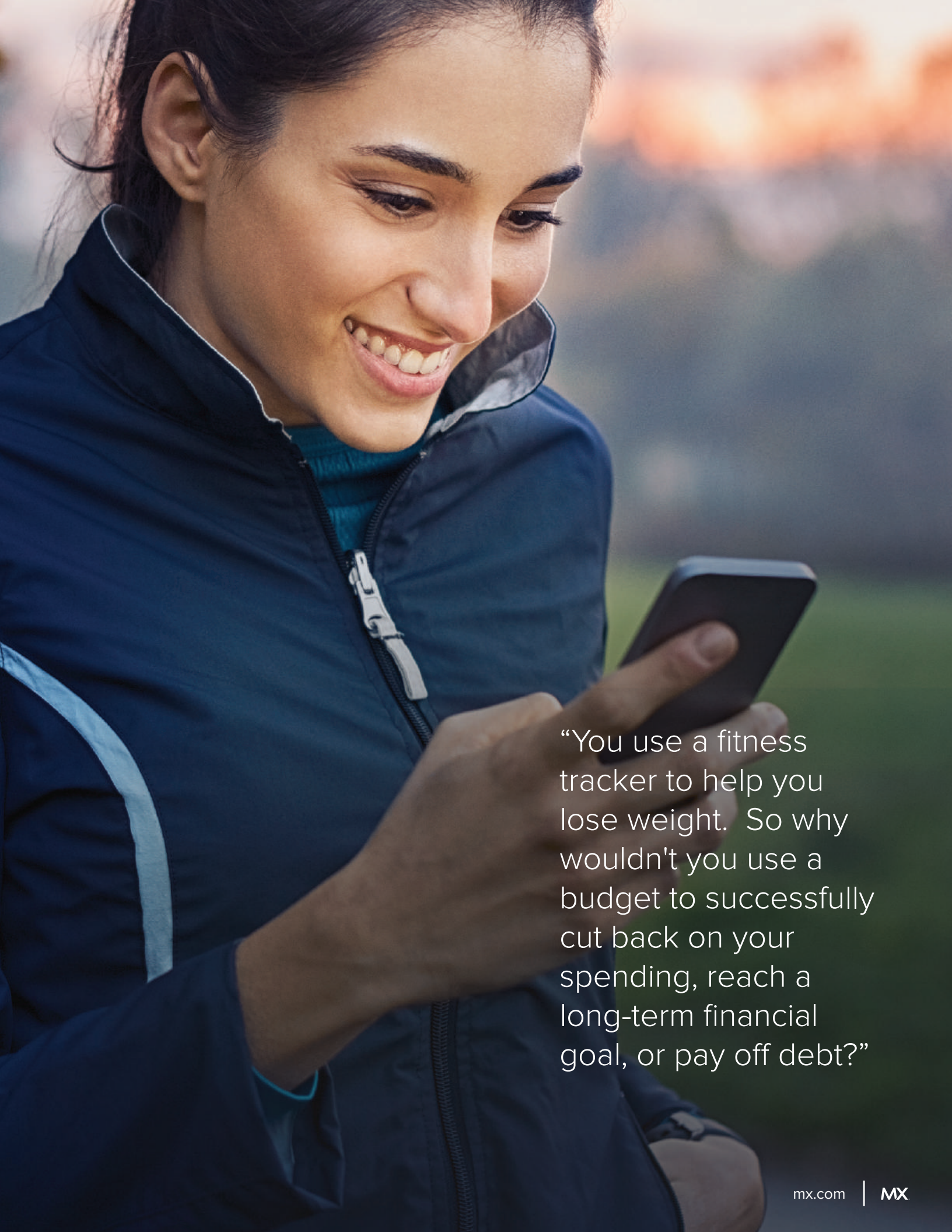
But despite how important creating a budget seems to be, only "one in three Americans prepare a detailed written or computerized household budget each month that tracks their income and expenses—a large majority do not."<sup>3</sup>

So with all the things that creating a budget can prevent and help people plan for, why is it so hard to get started? The truth is there's no simple answer to this question. There are a wide variety of reasons that prevent people from setting and sticking to a budget—from not knowing where to start and not having time to plan one to simply not having an interest in the process.

1 IN 3

Americans prepare a detailed household budget each month

If starting a budget sounds overwhelming, "one way to think of it [is] like using a fitness tracker. You use a fitness tracker to help you lose weight. So why wouldn't you use a budget to successfully cut back on your spending, reach a long-term financial goal, or pay off debt?"<sup>4</sup>



“You use a fitness tracker to help you lose weight. So why wouldn't you use a budget to successfully cut back on your spending, reach a long-term financial goal, or pay off debt?”



## Types of Budgeters

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A research study from “CFSI showed that future-oriented planning is a strong predictor of financial health. However, planning requires a long view, and ...how families approach their finances depends largely on where they fall on the economic ladder: Wealthy families think in terms of generations, middle-class families think in terms of years, and low-income families think in terms of months or weeks.”<sup>2</sup> In order for people to adopt a healthy budget it would require shifting their focus to long-term planning, which can be challenging when they’re living paycheck to paycheck.

Although socioeconomic indicators give a general idea of people’s aptitude for budgeting, there’s a lot more going on behind the scenes. When we look at people’s behavioral attitudes towards money matters, we believe that there are four distinct categories of budgeters:

1

**MILITANT BUDGETERS:**

This group of people budget for everything—they keep track of receipts, create elaborate spreadsheets for every expense, and know exactly how much is leaving their accounts on a daily basis. However, there’s no single type of person that fits this group. Some people are obsessed with budgeting because they love to stay on top of their finances, while others do it out of necessity, pinching pennies wherever they can.

2

**CASUAL BUDGETERS:**

This group of people understands the value of budgeting, but doesn’t actually want to budget. Their lack of budgeting may be due to limited time or it might not be a priority in their daily lives. In general, they tend to be on top of their finances when it comes to big payments like their mortgage and car loan, but are less likely to track smaller and one-time purchases.

3

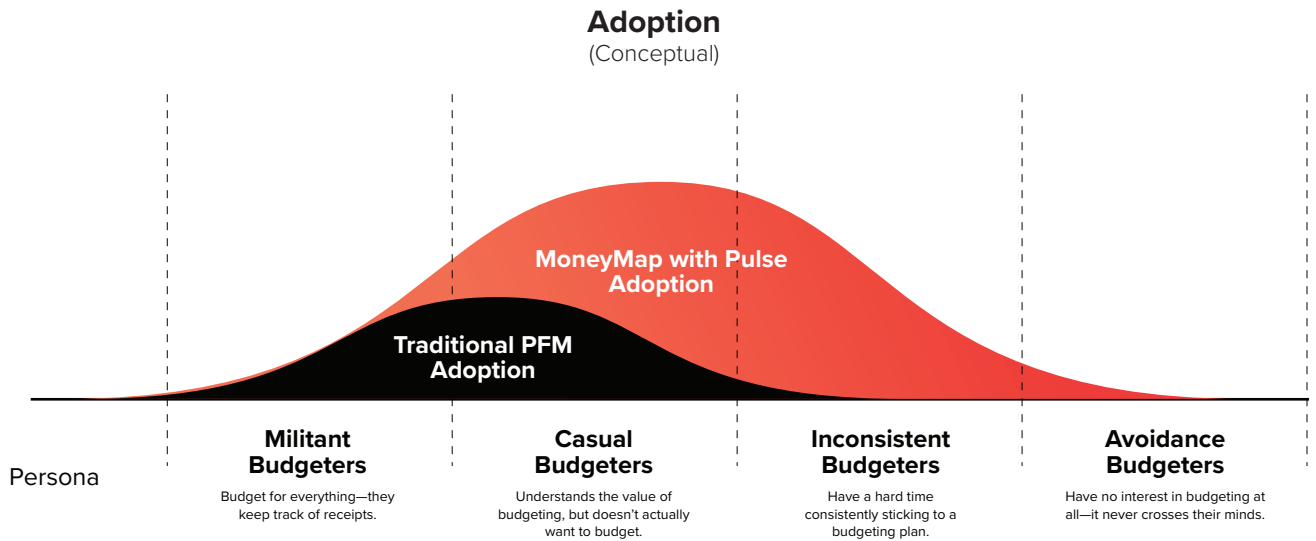
**INCONSISTENT BUDGETERS:**

This group of people have a hard time consistently sticking to a budgeting plan. Similar to the casual budgeters, they might be aware of recurring payments or monthly subscriptions, but are generally unaware of day-to-day purchases. This group is primarily motivated by ease-of-use. And because budgeting has traditionally been a painstaking and time consuming task, they’re less likely to do it.

4

**AVOIDANCE BUDGETERS:**

This group of people simply have no interest in budgeting at all—it never crosses their minds. They may be avoiding the thought of budgeting because they’re bad with finances, or simply have ample funds with no need to proactively manage their accounts. Either way, short of a tool that provides self-guided finance, they’re very unlikely to be persuaded to take an active role in their financial lives.





## Tools for Budgeting

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It's no secret that financial wellness is very closely linked to having a budgeting plan. However, current methods of budgeting don't exactly make it easy for people. Even though we live in a day and age full of technological advancements, “people are [still] more likely to use a pen and paper (48%), or a spreadsheet (42%) to track spending.”<sup>5</sup> And “just 14% of adults use personal finance apps...to keep their personal finances in order.”<sup>5</sup> Even though there are ways to budget, it seems that too much of the work or burden is placed on the individual. With so many things going on in life, people are less likely to prioritize yet another to-do list—even if that list can ultimately change their lives for the better.

Let's face it, traditional methods of budgeting will never work for the majority of people because they simply take too much time and effort. In order to get a larger group of people to budget, financial institutions need to make the experience effortless and engaging. In today's world where everything is available at a moment's notice, why would people expect anything less from their financial institution?

14%

of adults use personal finance apps

42%

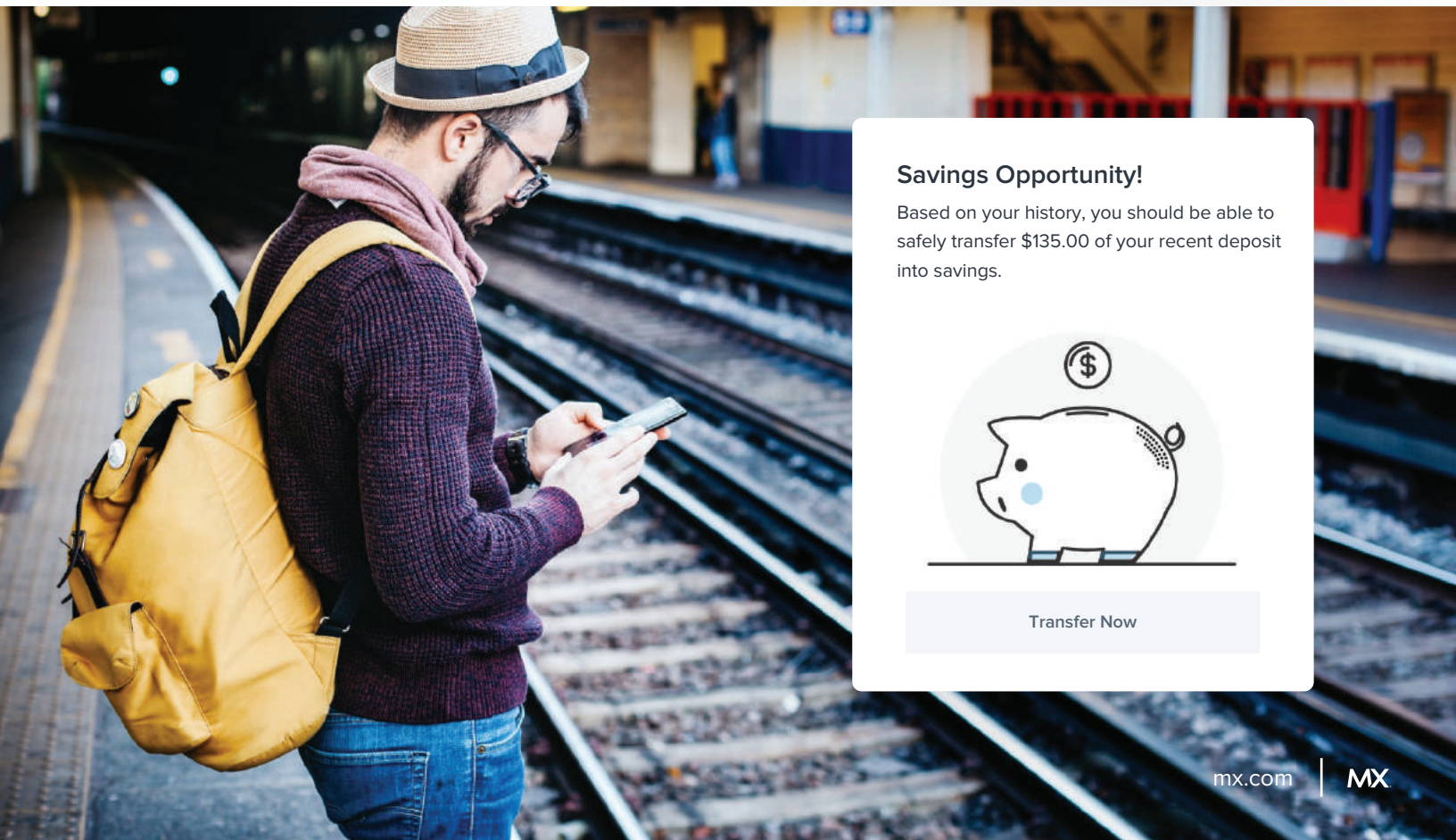
use spreadsheets to track spending

48%

still use pen and paper to budget

Fortunately, with the use of technology, financial institutions can now help their customers build better financial habits without having to fundamentally change their behavior. Technology is redefining what it means to budget and how it's done—making it so everyone can create better financial habits, no matter what type of personality they are, or where they are on the economic spectrum. One way to think about it is like a car's security features. Regardless of how safe or reckless a driver is, the car's security features will help prevent accidents and keep the driver safe without actually making them actively change their driving behavior.

To help put people's lives on the path to greater financial wellness, MX has created MoneyMap with Pulse—a completely self-guided financial wellness tool that financial institutions can use to empower their customers. With guided financial advice and AI-driven personalized insights, financial institutions can help their customers make better decisions in real-time, building financial strength and increasing their engagement.



### Savings Opportunity!

Based on your history, you should be able to safely transfer \$135.00 of your recent deposit into savings.



Transfer Now

We're ushering a new age of personal financial wellness with a tool that does all the heavy lifting—from proactive notifications to guided financial advice, so everyone has access to the financial information they need to lead happier and healthier financial lives. MoneyMap with Pulse helps people effectively stay on top of their finances without the need for behavioral change—from those that love budgeting to those that feel sick at the thought of dealing with money matters.



1. <http://60minutefinance.com/10-reasons-people-dont-budget/>
2. <https://www.pewtrusts.org/en/research-and-analysis/articles/2016/04/28/innovative-policies-and-products-can-help-americans-save-more-build-financial-security>
3. <https://news.gallup.com/poll/162872/one-three-americans-prepare-detailed-household-budget.aspx>
4. <https://www.thebalance.com/how-to-solve-budgeting-excuses-2385606>
5. [http://www.altfi.com/article/5143\\_just-14-of-people-manage-their-money-with-apps](http://www.altfi.com/article/5143_just-14-of-people-manage-their-money-with-apps)





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