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SUBJECTIVE FINANCIAL WELL-BEING

**2023&2024
REPORT**

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**SUBJECTIVE FINANCIAL WELL-BEING:
2023&2024 INDIVIDUAL REPORT**

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What is financial well-being?

Most recent studies define financial well-being (FWB) as "a set of conditions that enable people to fulfill present and recurrent financial obligations (short-term needs), make consumption decisions without getting stressed financially (short-term wants), prepare for facing economic contingencies (long-term needs), and pursue future financial goals (long-term wants)"¹. Indeed, FWB should capture both objective (e.g., incomes, assets, and consumptions) and subjective (e.g., perceptions of current financial situation, confidence in the future, and sense of achievement) measures of people.

How do we build a structure for ranchers' subjective financial well-being?

Different from many households in urban areas, rural households usually have roles as both consumers and producers. Correspondingly, their finances are usually separated as household finance and ranch finance. There are many reasons to support a separative analysis of these two dimensions. For example, for a rural household with significant non-farm income managing a low-profit ranch, the financial risk of the ranch wouldn't be revealed if we mix household finance with ranch finance.

Thus, to better apply the financial well-being theory to rural households, we built the following structure (see Figure 1) and further analyzed the subjective financial well-being through 8 dimensions: farm short-term needs (FSN), farm short-term wants (FSW), farm long-term needs (FLN), farm long-term wants (FLW), household short-term needs (HSN), household short-term wants (HSW), household long-term needs (HLN), household long-term wants (HLW).

¹ García-Mata, O., & Zerón-Félix, M. (2022). A review of the theoretical foundations of financial well-being. *International Review of Economics*, 69(2), 145-176.

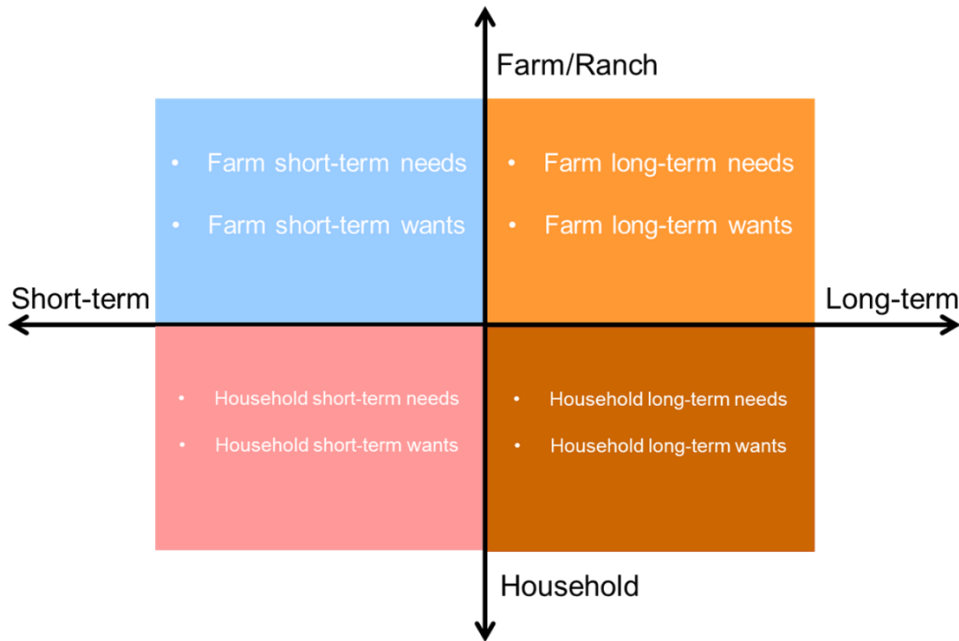


Figure 1. Subjective FWB Structure

How do we measure your subjective financial well-being?

Generally, we measure your perceptions of your household’s and farm’s financial situations through survey questions. Figure 2a and Figure 2b show some question examples in corresponding dimensions.

Household Short-Term Needs	<ul style="list-style-type: none"> • My household could find the money to pay for a financial emergency that costs about \$2,000. • I worry about being able to meet normal monthly living expenses.
Household Long-Term Needs	<ul style="list-style-type: none"> • My household is securing its financial future. • I am confident that my household can repay its long-term debt on time (e.g., housing mortgage).
Household Short-Term Wants	<ul style="list-style-type: none"> • My household's current financial situation is better than it was 5 years ago. • Because of our money situation, I feel like I will never have the things I want in life.
Household Long-Term Wants	<ul style="list-style-type: none"> • My household will achieve its long-term financial goals. • Over the next 5 years, I think my household’s financial situation will be better than others in my community.

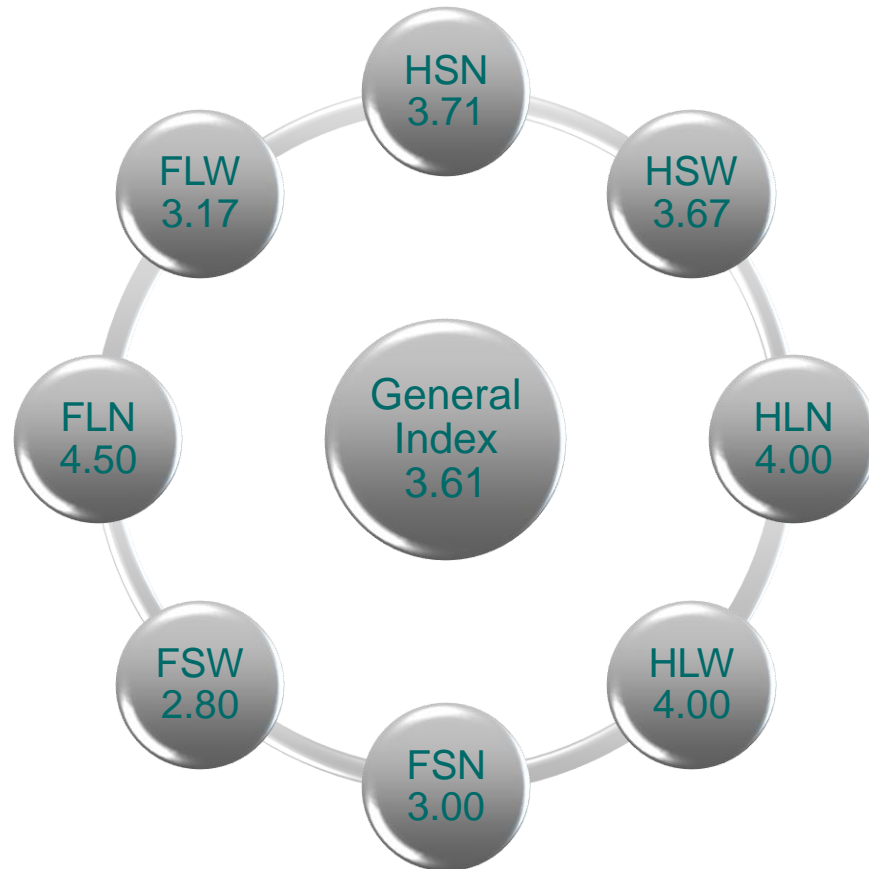
Figure 2a. Question Examples

Farm Short-Term Needs	<ul style="list-style-type: none"> • The farm's financial condition is strong enough to survive the next year. • I am comfortable with the farm's projected cash flow for the next year.
Farm Long-Term Needs	<ul style="list-style-type: none"> • I am confident the farm can handle revenue risks (e.g., yield, price, quality) over the next 10 years. • I am likely to stop farming or significantly change the farming operation in the next five years because of a tough financial situation.
Farm Short-Term Wants	<ul style="list-style-type: none"> • The farm is generating enough profit to meet short-term goals (3 years or less). • My time and ability that I invest in the farm is earning a greater return than if I invested it into another job.
Farm Long-Term Wants	<ul style="list-style-type: none"> • The farm's profit is sufficient to meet long-term goals (e.g., environmental sustainability, financial sustainability, farm succession, etc.). • If there was land for sale that I wanted to buy, the farm has resources or access to credit that are sufficient to make the purchase.

Figure 2b. Question Examples

Based on your responses to the survey questions, we calculate scores to measure your perceived financial well-being through the 8 dimensions shown above. The scores are between 1 to 5. The score 1 is the worst, which means you are not satisfied with your financial situation at all. The score 5 is the best, which means you feel great about your financial situation. Thus score 3 is neutral, which means you feel fine, but not fully satisfied with the finances. The following sections show your scores in every dimension and the general index calculated by averaging the 8 scores.

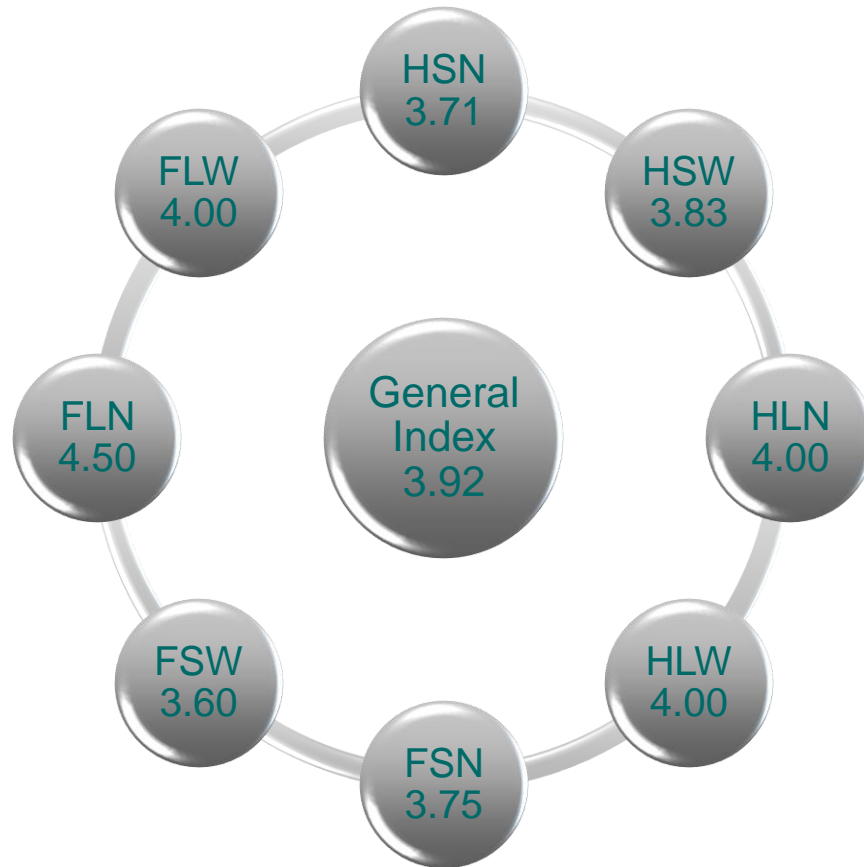
Results: 2023



Your general subjective financial well-being index for 2023 is 3.61. For comparison, the average scores of all the participants in every dimension are HSN—4.15; HSW—4.26; HLN—4.07; HLW—4.16; FSN—3.80; FSW—3.30; FLN—4.26; FLW—3.76.

And your general index is better than 27% of all the participants in our program.

Results: 2024



Your general subjective financial well-being index for 2024 is 3.92. For comparison, the average scores of all the participants in every dimension are HSN—4.31; HSW—4.35; HLN—4.27; HLW—4.20; FSN—4.04; FSW—3.38; FLN—4.36; FLW—3.92.

And your index is better than 26% of all the participants in our program. Your feelings about your financial situation improved greatly compared to the 2023 result. And this different mainly came from the improvement of the farm's financial situation, good job!

Thank you for your valuable time and insight. Your participation is instrumental in helping us understand the factors that contribute to the wellbeing of beef producers and the sustainability of grazing systems.

Thank you for being an essential part of this project!