

BUSINESS

Liz Weston: 5 ways to simplify and reduce your money clutter

By Liz Weston of Nerdwallet | AP

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Professional organizers might define household clutter as a pile of unmade decisions. Money clutter is much the same.

Those credit cards you no longer use but haven't closed? That's money clutter. So is the retirement account you left behind three jobs ago and the financial paperwork you keep but no longer need. Money clutter also can include broken systems that should be mended, such as a bill payment routine that leads to overdrafts or late fees.

You can simplify your financial life by dealing with those long-delayed decisions now and streamlining how you manage your money going forward. Here are five tasks to consider.

1. CONSOLIDATE ACCOUNTS

The more financial accounts you have to monitor, the more stress you're likely to feel, says Chicago financial planner Sheila Padden, president of the Alliance of Comprehensive Planners. It's too easy to lose track of an account, miss a due date or fail to notice a fraudulent transaction.

"Like any machinery, if there's a lot of moving parts, then it's more likely to break down," Padden says.

One relatively easy way to consolidate is to combine workplace retirement accounts. You may be able to transfer old 401(k) accounts to your new employer's plan, for example, or roll them into a single individual retirement account, or IRA.

Closing unused credit cards is another task worth considering, although shuttering accounts may ding your credit scores. Minimize potential damage by hanging on to your oldest and highest-limit cards. If you have multiple cards with the same issuer, ask whether the credit limit on a card you want to close can be reallocated to one you want to keep. And don't close cards if you're about to apply for a major loan such as a mortgage or an auto loan.

2. GET IT ALL ON ONE PAGE

Budgeting apps allow you to link your bank accounts, credit cards and investment accounts so you can view all your transactions in one place. Your bank or brokerage may offer a similar feature that allows you to link outside accounts.

Learning how to use these tools takes a little time, but getting this overview can help you better manage your money without having to log in to multiple accounts, says Pamela Ladd, senior manager of personal financial planning at the Association of International Certified Professional Accountants.

"You can get a really good snapshot of your finances in one place," Ladd says.

3. AUTOMATE WHAT YOU CAN

Automating bill payments can help you avoid late fees and damage to your credit scores from missed payments. Start with bills that stay consistent, such as your mortgage or auto loan.

Bills that vary each month can be trickier. Many people worry an unexpectedly large utility or credit card bill could overdraft their checking accounts if they don't have a sufficient cash cushion. A "set it and forget it" mentality also can set in, Padden notes.

"It's handy, but then if you never look at your credit card statement, then that is the downside," she says.

Where automating really shines is with saving, Padden says. She recommends figuring out how much you need to save for your goals, such as retirement or an emergency fund, and then automating regular contributions.

4. REDUCE PAPER CLUTTER

Ladd admits she was a latecomer to the digital world and didn't switch to paperless statements and bills until a few years ago. Now she relies on email reminders to check her monthly statements and bills rather than receiving a paper "trigger" in the mail. Financial institutions typically store statements for six or more years, so she doesn't have to deal with filing or shredding paperwork. She finds the change "liberating."

"It's less clutter, one less thing to do," Ladd says.

Most paperwork from the past can be safely scanned or downloaded into a computer — as long as the machine is backed up regularly. You can search online for lists of when to shred existing paperwork, or ask a tax pro or financial planner for guidance.

5. CONSIDER HIRING HELP

Padden says she understands the urge to do it all yourself. As a certified public accountant, she felt she should be able to handle her own finances but eventually realized she didn't know enough to do so successfully.

Padden's response to this revelation was to study for and obtain a certified financial planner credential and open her own financial planning practice. She recommends others consider hiring the help they need, if they can.

A tax pro can file your returns and answer tax questions. An accredited financial counselor or financial coach can assist with budgeting, debt management, retirement savings and more. A financial planner can help with virtually every aspect of your finances. Hiring help can give you the personalized information you need to make decisions and stress less. Ultimately, that's what simplifying your financial life is all about.

"If you feel like you've always got things that need attending to, you really cannot live your most fulfilled life and live with ease," Padden says.

This column was provided to The Associated Press by the personal finance website NerdWallet. The content is for educational and informational purposes and does not constitute investment advice. Liz Weston is a columnist at NerdWallet, a certified financial planner and the author of "Your Credit Score." Email: lweston@nerdwallet.com. Twitter: @lizweston.

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