



General Board

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Best Strategies for Simplifying Your Financial Life

Nine ways to eliminate clutter, organize accounts and streamline how you manage your money.

There are many reasons to organize and simplify your financial life. Eliminating clutter, saving time and reducing stress are surely among them. And here's another motivating factor: Not keeping tabs on your finances can be costly if it results in fees or interest charges you could have avoided, investment losses, additional taxes or other pitfalls. Below you'll find a checklist of nine basic things you can do to get your money matters in order...and keep them that way.



1. Use direct deposit.

Ask to have your pay, pension or Social Security benefits automatically deposited into your bank account. Direct deposit is safer, easier and more convenient than getting a paper check in the mail and then having to deposit it into your bank account. It may even help you avoid bank fees. Direct deposit also gives you access to your money sooner than with a paper check.

Also be aware that if you receive Social Security and other federal benefit payments, the U.S. Treasury will only issue them electronically beginning in March 2013.

To learn more and "go direct" sooner rather than later, call the Treasury's helpline at 1-800-333-1795 or visit <http://www.GoDirect.org>.

2. Automate recurring bills.

Many merchants, such as insurance companies or utilities, will allow you to pay recurring bills with an automatic withdrawal from your checking account or through a charge to your credit card. However, be sure to record these transactions in your check register to avoid overdrawing your account. And if you charge the bills to a credit card, pay the balance in full by the due date to avoid interest charges.

Many banks also offer online bill-paying services that allow you to pay bills quickly and easily. These programs generally allow you to sign up on your bank's website to receive bills electronically from companies you do business with. Then you can review the bill and pay it using that same website. "That is an entirely paperless transaction, and it can reduce the chance of incurring a late-payment fee," said Luke W. Reynolds, Chief of the FDIC's Community Outreach Section.

3. Explore online banking.

This service lets you review deposits and withdrawals, keep track of your balance, and move funds between, say, your checking and savings accounts—at your convenience.

For example, with online banking you can quickly review your account and make sure you didn't forget to record any debit or ATM card transactions in your check register. You can get an update on whether funds from recent deposits are available for withdrawal. You might even be able to receive your bank statements online instead of in the mail.

4. Put some savings on autopilot.

Arrange with your bank or employer to automatically transfer a certain amount into savings accounts or investments on a regular schedule. "Automatic savings programs can make it easy to build an emergency fund or save for the future," said Joyce Thomas, an FDIC financial educator in the Community Outreach Section. "Also, if you invest in stocks, mutual funds or other non-federally insured assets, it has been documented that making investments on a regular basis can result in a higher return over time than trying to time the market."

5. Consider consolidating accounts.

Think about how many different financial institutions you use and how many accounts (savings, checking and investments) and credit cards you have. You may be able to simplify your finances, reduce mail and paperwork, avoid certain fees and even get better deals by consolidating multiple accounts. Consolidating accounts also can make it easier to monitor your entire portfolio and ensure that your money is properly diversified.

If you plan to consolidate your deposits at one institution, though, make sure the combined funds don't exceed the FDIC's deposit insurance limitations. Remember that you can have more than \$250,000 in one bank and still be fully insured provided that the money is in different ownership categories - single accounts, joint accounts, retirement accounts and so on. If you need help, visit <http://www.fdic.gov/deposit/deposits> or call 1-877-ASK-FDIC (1-877-275-3342).

Also, consider canceling the credit cards you never use, preferably well before you apply for another loan—in case dropping a long-time card temporarily lowers your credit score. "Review your credit reports to make sure you know which accounts are listed as open and active," advised Reynolds.

To obtain your credit report free from the three major credit bureaus, go to <http://www.AnnualCreditReport.com> or call 1-877-322-8228.

6. Look into automated money-management tools.

Software that you download to your computer or web services managed by your bank or another third-party can give you an updated snapshot of all your account information from multiple institutions, in one place. The programs also can help you organize your finances, understand how you spend your money, and spot a potential fraud or theft (by providing a regular summary of account balances).

But it's also important to take commonsense precautions. "You need to do your research and choose a known and trusted organization, as most of these services collect account numbers and passwords along with other confidential and personally identifiable information," explained Rob Drozdowski, a Senior Technology Specialist at the FDIC.

7. Update your will and other legal documents, and make sure your family knows where to find them in an emergency.

These additional documents can range from bank statements and pension records to directives that govern what happens to your bank accounts, property and other assets if you become incapacitated.

In addition to reviewing your will (and letting loved ones know where to locate the original), check the beneficiaries listed on life insurance policies and retirement accounts and consider having or updating documents (such as a "durable power of attorney") that would enable someone to handle your finances or other personal matters if you lose the ability to do so.

8. Get your other papers under control.

Even if you rely on technology, it's difficult to go completely paperless. Start with a central filing system at home for your bank, tax, insurance and other financial records. Also designate one place for gathering your bills and get rid of the papers you're sure you don't need.

9. Don't let a disaster catch you off guard.

If an emergency were to occur and you had only few moments to evacuate your home, perhaps for several days or even weeks, would you have access to cash, banking services and the personal identification you need to conduct your day-to-day financial life?

One strategy is to store copies of important documents — such as health insurance cards, your driver's license, bank account numbers and credit card information — on a secure website that you can access from anywhere. To learn more from the federal government about how to plan ahead for a disaster, visit <http://www.ready.gov>.

The bottom line, according to Reynolds: "By spending a few minutes organizing and simplifying your financial life, you can save many hours and perhaps significant amounts of money."

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