

Financial disorganization: 6 ways it costs you

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For many people, organizing finances is equivalent to having their teeth pulled or scrubbing a greasy oven. But if you let it get out of hand, chronic financial clutter can have steep financial and emotional consequences.

"If you're not organized, then I guarantee you're spending way too much time and energy chasing around random pieces of information that you misplaced," says Jean Chatzky, financial editor of NBC's "Today Show" and host of the new "[Her Money](http://feeds.jeanchatzky.com/HerMoney)" podcast. "You're probably also not keeping track of where your money's going, which means you're probably overspending."



The organizationally challenged often lose hundreds or even thousands of dollars on late fees, excessive interest and unopened checks, say experts. "They might have all the money in the world, but they don't open the mail, which means they don't open the bills and they just don't pay things on time," says professional organizer Suzy Wilkoff of [Tasks Unlimited](http://tasksunlimited.com/).

Here are six of the ways poor financial hygiene can hurt your financial health.

1. You sabotage your credit score. When you don't keep tabs on your bills, it's easy to fall behind on payments. You might lose a bill in a pile of paperwork and not realize it's missing until you are slapped with a hefty late fee. Or, you routinely miss payments because you don't have a system in place for paying your bills before they're due. "I have clients who don't even open the mail when it comes," says Wilkoff. "I know that if this client doesn't call me in a month that her American Express bill is going to be late because she won't open the bills."

How to fix it: Limit the number of bills you must keep track of by consolidating the companies you do business with, says professional organizer Alison Kero of [ACK Organizing](http://www.ackorganizing.com/). For example, "If you can have one company handle all your utilities rather than having three

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— Jean Chatzky
Financial editor, NBC's "Today Show"

separate bills, do so," says Kero. If you can consolidate your debt onto a smaller number of cards, do it. The less your focus is divided, the easier it will be for you, she says. You may also want to consider setting up reminders and automatic payments, says Kero. "Just make sure there's always enough in your bank account."

Where to go for help

Sometimes severe disorganization can be the result of a mental health condition such as Attention Deficit Hyperactivity Disorder (ADHD) or depression that make it difficult to keep up with routine details. Don't be afraid to ask for help – especially if you're dealing with a condition that makes it nearly impossible to organize and maintain your finances yourself. Professionals trained to deal with these difficulties can make a big difference. Here are some resources for finding professional help:

- [National Association of Professional Organizers \(http://www.napo.net/search/custom.asp?id=3767\)](http://www.napo.net/search/custom.asp?id=3767)
- [Mental Health America \(http://www.mentalhealthamerica.net/finding-help\)](http://www.mentalhealthamerica.net/finding-help)
- [American Psychological Association \(http://locator.apa.org/?_ga=1.109883335.330598273.1460351906/\)](http://locator.apa.org/?_ga=1.109883335.330598273.1460351906/)
- [American Psychiatric Association \(http://finder.psychiatry.org/?_ga=1.187154984.1684306897.1460351800/\)](http://finder.psychiatry.org/?_ga=1.187154984.1684306897.1460351800/)
- [Children and Adults with Attention Deficit/Hyperactivity Disorder \(CHADD\) \(http://www.chadd.org/Support/Professional-Directory.aspx\)](http://www.chadd.org/Support/Professional-Directory.aspx)
- [National Foundation for Credit Counseling \(https://www.nfcc.org/our-services/credit-debt-counseling/\)](https://www.nfcc.org/our-services/credit-debt-counseling/)
- [IRS Directory of Federal Tax Return Preparers with Credentials and Select Qualifications \(http://irs.treasury.gov/rpo/rpo.jsf\)](http://irs.treasury.gov/rpo/rpo.jsf)
- [Financial Planning Association \(http://www.plannersearch.org/Pages/Home.aspx?_ga=1.55040488.273856949.1460350909\)](http://www.plannersearch.org/Pages/Home.aspx?_ga=1.55040488.273856949.1460350909)
- [National Association of Certified Public Bookkeepers \(http://www.nacpb.org/home.cfm\)](http://www.nacpb.org/home.cfm)
- [National Association of Consumer Advocates \(http://www.consumeradvocates.org/find-an-attorney\)](http://www.consumeradvocates.org/find-an-attorney)

2. You forfeit your own money. Chronic financial clutter can also cause you to lose out on money that's owed to you, says Kero – especially if you frequently toss mail to the side without opening it. "I can't tell you how much money we've found just by opening the mail," she says. "Once I found a tax refund check for \$20,000. The guy had ADD and kept losing it. I fought off an urge to pin it to his shirt."

How to fix it: Fight procrastination by dealing with your mail as soon as you get it. Or, set an appointment with yourself at least once a week to go through your financial documents, says Wilkoff. "If you say that every Wednesday at 4 p.m., I'm going to spend an hour on this, you discipline yourself," she says. Shred anything you don't need and sort the rest using a system you can easily maintain, adds Kero. "Having too much clutter is confusing and time consuming, so stop keeping every paper you've ever received."

3. You miss unauthorized charges on your billing statements. Ignoring your financial statements could also lead you to pay for mistaken charges on your credit card statement – undercutting your rights under the [Fair Credit Billing Act](http://www.creditcards.com/credit-card-news/fair-credit-billing-act-1282.php). (http://www.creditcards.com/credit-card-news/fair-credit-billing-act-1282.php) The law allows you to challenge billing errors and unauthorized charges so you aren't held legally responsible. But, "If you don't open the statement and review it, you're going to miss any potential errors or unauthorized transactions," says Chi Chi Wu, a staff attorney with the [National Consumer Law Center](https://www.nclc.org/) (https://www.nclc.org/). You could also lose your chance to legally dispute a billing error if you don't act relatively quickly. The law only gives you 60 days to report an incorrect charge on your billing statement.

How to fix it: Set periodic reminders to quickly glance over your transactions. Go over every statement and don't skip any accounts. "You need to monitor both your checking accounts as well as credit card accounts for unauthorized activity," says Nessa Feddis, a senior vice president at the

American Bankers Association. It's also a good idea to pull your free credit reports from [AnnualCreditReport.com \(https://www.annualcreditreport.com/index.action\)](https://www.annualcreditreport.com/index.action) at least once per year to make sure there aren't any mistakes affecting your credit score or unauthorized accounts.

4. You lose the evidence you need to back up a credit or billing dispute. Missing financial paperwork could also cost you your case if you dispute an error on your credit report or [file a billing dispute \(http://www.creditcards.com/credit-card-news/help/how-dispute-credit-report-errors-mistakes-6000.php\)](http://www.creditcards.com/credit-card-news/help/how-dispute-credit-report-errors-mistakes-6000.php) against a merchant. Under the [Fair Credit Reporting Act \(http://www.creditcards.com/credit-card-news/your-rights-fair-credit-reporting-act-1282.php\)](http://www.creditcards.com/credit-card-news/your-rights-fair-credit-reporting-act-1282.php), for example, you have the right to dispute errors on your credit report. But, "Your dispute will be more effective if you have supporting documentation," says Wu. You'll also need supporting evidence if you decide to take your case to court, she says.

How to fix it: Make peace with paper. You might be tempted to de-clutter by switching to online statements only, but this could backfire if you or your family members need those statements later, says Wu. If you don't take the time to download paperless statements, you may have to pay a fee and go through the bank to get them later on. Take the time to set up a paper-based filing system that works for you. Keep it simple and avoid creating too many sub-files labeled with names you won't remember, says Wilkoff. You may also want to dress your filing system up or splash it with color so it's more enjoyable to look at. "Chances are, if you hate the look of your filing system, you won't use it," says Kero.

5. You overpay your taxes. If you misplace receipts or accidentally trash them, you could wind up paying hundreds or potentially even thousands of dollars more in taxes than you would have otherwise – especially if you're self-employed and plan to claim your business-related expenses. To maximize deductions on your tax return and reduce your taxable income, you must hang on to your receipts for at least seven years, says Ryan Saltz, a tax professional at the [Tax Defense Network \(https://www.taxdefensenetwork.com/\)](https://www.taxdefensenetwork.com/). "If the IRS ever comes knocking, they're going to want you to prove everything you claimed."

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Tasks Unlimited

How to fix it: Create a simple tax folder, label it taxes and throw in all your receipts. To save you a headache come tax time, also take a few minutes to label the receipts, recommends Saltz. "Make a note on the back of the receipt. That way, you won't have to strain your brain or go back through the calendar to see who [or what] the receipt was for."

6. You waste energy you could otherwise spend on making money and saving it. The more time you spend cutting through clutter and fighting financial overwhelm, the less energy you have for focusing on other projects, say experts. "It weighs you down, not only in your physical space but energetically," says Leanne Jacobs, a holistic wealth expert and host of the [Beautiful Money podcast \(http://leannejacobs.com/category/podcast/\)](http://leannejacobs.com/category/podcast/). As a result, "your ability to increase cash flow and to generate further wealth is really hindered."

How to fix it: Enlist help. "Sometimes we think we can do everything ourselves," says Wilkoff. But you may be better off delegating some tasks to loved ones or to professionals who are trained to help. "Get a kid involved or a spouse. Or maybe hire a professional organizer," she says. Choose a time when you can focus on setting up a system that works for you and your family, then start fresh from there. "It's kind of like a big closet cleaning," says Chatzsky. "It's a big job one time and then it's maintenance."

"Once you've got your system set up, then it's just a matter of doing a little bit every day," she says.