



LESS CAN BE MORE:

Spring Cleaning Your Finances.

As many of us continue to spend more time than ever at home, this may be an opportunity to bring organization to your finances. Marie Kondo, a world-renowned organizational consultant, has developed an almost evangelical following by helping people transform their lives through decluttering. Named as one of Time Magazine's most influential people,¹ Kondo has inspired many people to tidy up their homes and her approach can extend to other areas of our lives including our finances.

Central to Kondo's process of decluttering is the tenet of keeping only those belongings that "spark joy." While it may be a bit of an overreach to think of the administrative aspects of our finances as being able to spark joy, there may still be lessons to be learned from Kondo's outcomes: less can be more. The notion that embracing simplicity can improve life fulfillment is one that can easily translate to our financial lives, perhaps even improving an overall financial position. With this spirit in mind, consider these starting points for finding organization within our finances:

1. Consolidate accounts – One of Kondo's strategies is to store everything in a way that allows you to see it. Her method of folding clothing and arranging it upright in a drawer permits all articles to be visible. This principle can be applied to how we manage our finances. As a start, consider the benefits of having a full view of your financial accounts. This may mean consolidating multiple bank or investment accounts, where possible. Over time, perhaps as a result of changes to employment or location, you may have opened multiple financial accounts. For example, you may have set up an employer-sponsored Registered Retirement Savings Plan

at work, but then changed employers and left the plan open. As such, having multiple accounts managed separately may not allow you to easily see the full picture of your finances. Consider the benefits of consolidation: the opportunity for better asset allocation for investments, the potential for improved tax efficiency, reduced administrative costs, easier administration, and no "orphan" accounts that are forgotten over time.

2. Purge, and set up a simple organizing system – Central to Kondo's organizing system is eliminating clutter. Going paperless wherever possible is a great way to stop paper from piling up. Many of us have older paper files that are sitting idle in a drawer or box. Purge older and unnecessary paper documents on a regular basis by shredding them to prevent identity theft. The Canada Revenue Agency advises keeping tax-related documents for six years, in the event of an audit.

Kondo also believes that everything has a designated space. If you don't yet have files set up for paper documents that you need to keep, start by sorting through documents and creating broad categories, such as bank, mortgage, utility bills or contracts. Create storage folders for these records and train yourself to file them once they are received and you've checked their accuracy.

Paper clutter has evolved into electronic clutter. Consider regularly organizing and cleaning your electronic files. Similar to a paper organizing system, create folders and devise a consistent way of naming digital files, such as "**Account_YY_MM_DD**". Back up files on a regular basis. Consider deleting or archiving older digital files to free up disk space, which will be a much easier task if they are organized in a consistent manner.

3. Organize the way you transact – Be systematic about the way you make payments. Automate payments, such as for utilities or credit card bills, to avoid overdue or interest penalties. You may also consider organizing payment dates to avoid missed payments, such as requesting a change in certain

credit card payment due dates to coordinate these dates across all cards. Consider dedicating credit cards to certain types of purchases, such as a credit card used solely for online shopping. This can help to simplify cancellations in the event a card is compromised due to fraud. Given the rise in online purchasing, there may also be value in setting up an email account dedicated to online purchases that is separate from one used to communicate with friends and family. This can help to free up personal email inbox clutter, as well as improve security.

4. Track spending patterns – Having a full picture of your daily expenditures can help you to better understand what belongings spark the joy of Kondo's teachings. Consider tracking the spending patterns of you and your household members over a few months to see what purchases have brought value to each individual. This can be done by taking credit card and bank records and dissecting expenditures into essential and non-essential categories. Having a full picture of your outflows may help you to be more mindful of what you purchase and allow you to distinguish between things that added, or didn't add, value to your life. By eliminating unnecessary expenditures, you can potentially improve your savings habits going forward. Throughout the pandemic, many of us have also changed our discretionary spending patterns, so comparing our current expenditures to pre-pandemic levels may also be a valuable exercise in identifying what expenditures continue to be important to you.

1. <https://time.com/collection-post/3822899/marie-kondo-2015-time-100/>